

STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVEN YARBROUGH

**\*\* REVISED \*\***

### JOINT LEGISLATIVE BUDGET COMMITTEE

Tuesday, August 12, 2008

9:30 A.M.

Senate Appropriations, Room 109

#### MEETING NOTICE

- Call to Order
- [Approval of Minutes of June 18, 2008.](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION
  - A. Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.
  - B. Arizona Department of Administration - Review for Committee the Planned Contribution Strategy for State Employee and Retiree Health Plans as Required under A.R.S. § 38-658A.
- 1. DEPARTMENT OF EDUCATION
  - [A. Review of Qwest Settlement](#)
  - [B. Review of Expenditure Plan for Incentive Funding from the Workforce Investment Act.](#)
  - [C. Review Providing Funding to Displaced Pupils Choice Grants Program and Arizona Scholarship for Pupils with Disabilities Program under A.R.S. § 15-901.03.](#)
- 2. [DEPARTMENT OF HEALTH SERVICES - Review of Behavioral Health Title XIX Capitation Rates Changes.](#)
- 3. [ARIZONA DEPARTMENT OF REVENUE - Review of Business Reengineering/Integrated Tax System Contract Amendment.](#)
- 4. ATTORNEY GENERAL
  - [A. Review of Allocation of Settlement Monies - State v. Bill Heard Chevrolet, Inc.](#)
  - [B. Review of Allocation of Settlement Monies - State v. Express Scripts, Inc.](#)
- 5. [ARIZONA OFFICE OF THE COURTS - Review of Reimbursement of Appropriated Funds.](#)

6. ARIZONA STATE RETIREMENT SYSTEM - Review FY 2009 Information Technology Expenditure Plan.
7. ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Third Party Progress Report.

The Chairman reserves the right to set the order of the agenda.

8/4/08

8/5/08

8/8/08

sls

lm

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

**MINUTES OF THE MEETING**

**JOINT LEGISLATIVE BUDGET COMMITTEE**

June 18, 2008

The Chairman called the meeting to order at 8:40 a.m., Wednesday, June 18, 2008, in Senate Appropriations Room 109. The following were present:

Members:	Senator Burns, Chairman	Representative Pearce, Vice-Chairman
	Senator Aguirre	Representative Cajero Bedford
	Senator Harper	Representative Lopez
	Senator Verschoor	Representative Rios
	Senator Waring	Representative Yarbrough
Absent:	Senator Aboud	Representative Adams
	Senator Garcia	Representative Biggs
		Representative Boone

**APPROVAL OF MINUTES**

Hearing no objections from the members of the Committee to the minutes of April 22, 2008, Chairman Burns stated that the minutes would be approved.

**EXECUTIVE SESSION**

Representative Pearce moved that the Committee go into Executive Session. The motion carried.

At 8:45 a.m. the Joint Legislative Budget Committee went into Executive Session.

Representative Pearce moved that the Committee reconvene into open session. The motion carried.

At 9:24 a.m. the Committee reconvened into open session.

**A. Arizona Department of Administration - Risk Management Services - Consideration of Proposed Settlements under Rule 14.**

Representative Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the cases of:

1. *Wilbur v. State v. HDR Engineering, Inc.*
2. *Quiroz v. State of Arizona, et al.*
3. *Carolina Torres, et al. v. State of Arizona*

(Continued)

4. *Edward D. Johnson, et al. v. State of Arizona*

The motion carried.

*Representative Pearce moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the case of The Estate of Rueben Persson, et al. v. State of Arizona, et al.* The motion carried.

**B. Arizona Department of Education - Review of E-Learning Contract**

This item was held. The Committee did not take action.

**ATTORNEY GENERAL (AG)**

**A. Review of Intended Use of Monies in the Antitrust Enforcement Revolving Fund.**

Ms. Marge Zylla, JLBC Staff, stated that the Attorney General's (AG) office is requesting to expend above their appropriation for the Antitrust Enforcement Revolving Fund in FY 2008. A General Appropriation Act footnote states that the AG cannot spend in excess of \$243,200 without JLBC review. The AG is requesting to expend \$307,300 in FY 2008, which is primarily for personnel costs associated with non-attorney staff positions that support the Antitrust Unit. Since this fund has a sufficient fund balance and the proposed uses of the fund are consistent with statute, JLBC Staff recommended a favorable review of this item.

*Representative Pearce moved that the Committee give a favorable review of the intended expenditures of \$307,300 in Antitrust Enforcement Revolving Fund monies.* The motion carried.

**B. Review of Allocation of Settlement Monies - State v. Tucson College.**

Ms. Zylla stated that the Attorney General's office is requesting a favorable review of the allocation of monies received from a settlement with Tucson College. The AG's office entered into a settlement on March 2008 and this resolved a lawsuit alleging that Tucson College had misrepresented their criminal justice program from August 2006 to June 2007. The total settlement is estimated to be \$425,000. Tucson College is required to fully refund the 57 students who were involved in the Criminal Justice program, which the AG estimates to be about \$275,000 of the total. The remaining \$150,000 will go to the Attorney General's office to be deposited into the Consumer Fraud Revolving Fund. These monies will be used for attorney's fees, costs of the investigation and to support consumer fraud investigation, consumer education and enforcement of the Consumer Fraud Act. The JLBC Staff recommended a favorable review of this item.

*Representative Pearce moved that the Committee give a favorable review of the allocation plan from the Tucson College settlement.* The motion carried.

**C. Review of Allocation of Settlement Monies - State v. Merck & Co., Inc.**

Ms. Zylla stated that the Attorney General's office is requesting a favorable review of a recent consent judgment against Merck & Co., Inc., which is a pharmaceutical company. This judgment is based on Merck's Consumer Fraud Act violations with the sale and marketing of the anti-inflammatory drug Vioxx. Arizona's share of the settlement is \$2.3 million. This amount will be deposited into the Consumer Fraud Revolving Fund for attorney's fees, costs of the investigation, as well as to support consumer fraud investigation, consumer education and enforcement of the Consumer Fraud Act. The JLBC Staff recommended a favorable review of this item.

*Representative Pearce moved that the Committee give a favorable review of the allocation plan from the Merck consent judgment.* The motion carried.

**ARIZONA DEPARTMENT OF CORRECTIONS - Consider Approval and Review of Requested Transfer of Appropriations.**

Mr. Martin Lorenzo, JLBC Staff, stated that this item is for approval and review of various Department of Corrections transfers of appropriation authority between line items and Special Line Items. The JLBC Staff

(Continued)



recommended Committee approval of the proposed transfers in the Personal Services and Employee Benefits lines as well as a favorable review of the transfers within the other line items and Special Line Items. In addition, the JLBC Staff recommended that the Committee approve and favorably review an additional transfer of up to \$250,000 in any given line item in the event actual expenditures differ from estimated expenditures.

*Representative Pearce moved that the Committee give a favorable review of the request for the Personal Services and Employee Related Expenditure transfers, a favorable review of the remaining transfers and fund shifts, and, in addition, the Committee approve and favorably review the shift of up to \$250,000 in or out of any line item or Special Line Item in the event that these requested transfers do not exactly match department needs through the end of the fiscal year. The motion carried.*

**DEPARTMENT OF PUBLIC SAFETY - Discussion of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission.**

Ms. Kim Cordes-Sween, JLBC Staff, stated that this item is the Department of Public Safety (DPS) discussion of the expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). This item was for discussion only. Pursuant to a General Appropriation Act footnote, DPS is required to submit for review an expenditure plan for GIITEM monies prior to their expenditure. On May 30, DPS notified the Committee of its intent to spend \$1.6 million of GIITEM monies on the new felony and fugitive task force as a result of a May Executive Order. These funds will be used to track down and arrest individuals who have outstanding felony warrants or are fugitives. The department has also indicated it will not renew its \$1.6 million Maricopa County Sheriff's Office project for illegal immigration enforcement, which had been favorably reviewed by the Committee in May 2007 in order to fund the new task force.

Discussion ensued on this item.

Phil Case, Budget Officer for DPS responded to member questions.

No Committee action was required.

**ARIZONA CRIMINAL JUSTICE COMMISSION - Review of Intended Use of Monies in the Victim Compensation and Assistance Fund.**

Mr. Jon McAvoy, JLBC Staff, stated that the Arizona Criminal Justice Commission (ACJC) is requesting to increase the expenditure authority for FY 2009 in the Victims Compensation and Assistance Fund (VCAF) by \$300,000. The money for this increase comes from an Attorney General fraud prosecution case which resulted in a settlement to the state of \$29 million. Pursuant to statute, 10% of that settlement or \$2.9 million was deposited in the Victim's Compensation Fund. At the rate of \$300,000 per year, those settlement monies would be spent down by approximately 2012. These monies are used to pay for crime victim medical expenses, mental health counseling, funeral expenses and lost wages. The JLBC Staff recommended a favorable review of this item.

*Representative Pearce moved that the Committee give a favorable review to the additional expenditure of \$300,000 above the original FY 2009 appropriation from the VCAF. The motion carried.*

**DEPARTMENT OF ECONOMIC SECURITY - Review of Requested Transfer of Appropriations.**

Mr. Jay Chilton, JLBC Staff, stated that this item is a review of requested transfer of appropriations for the Department of Economic Security (DES).

The JLBC Staff has provided the following options for the Committee to consider: 1) a favorable review of the transfers with a provision that DES use non-appropriate sources and savings to mitigate this shortfall. 2) an unfavorable review of the DBME Operating Budget transfer only, with a favorable review of the remaining transfers. Under either option, JLBC Staff recommended that the Committee require that DES report back by July 15, 2008 on how the department will resolve the entire shortfall including any items not requiring Committee review.

(Continued)

*Representative Pearce moved that the Committee give an unfavorable review to the proposed Division of Benefits and Medical Eligibility operating budget transfer of \$1,500,000 and a favorable review of the remaining transfers shown below with the provision that DES use non-appropriated fund sources and savings first to mitigate the projected shortfalls (see Table 1).*

<b>Table 1</b>			
<b>DES Transfers (In Millions)</b>			
	<b><u>General Fund</u></b>	<b><u>Other Funds</u></b>	<b><u>Total</u></b>
<b><u>Funding Increases (Transfers To)</u></b>			
Day Care Subsidy		4.0	4.0
Children Support Services		5.7	5.7
Foster Care Placements	4.6		4.6
Adoption Services	<u>1.5</u>	<u>—</u>	<u>1.5</u>
<b>Subtotal</b>	<b>6.1</b>	<b>9.7</b>	<b>15.8</b>
<b><u>Funding Decreases (Transfers From)</u></b>			
TANF Cash Benefits	(1.5)		(1.5)
Transitional Child Care		(4.0)	(4.0)
Children Support Services	(4.6)		(4.6)
Foster Care Placements	<u>—</u>	<u>(5.7)</u>	<u>(5.7)</u>
<b>Subtotal</b>	<b>(6.1)</b>	<b>(9.7)</b>	<b>(15.8)</b>

*The Committee requested that DES report back to the Committee by July 15, 2008 on how the department ultimately solved the entire shortfall, including any transfers not needing review, one-time monies, or savings from both appropriated and non-appropriated sources. The motion carried.*

Without objection, the meeting adjourned at 10:30 a.m.

Respectfully submitted:

---

Sandy Schumacher, Secretary

---

Richard Stavneak, Director

---

Senator Bob Burns, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <http://www.azleg.gov/jlbc/meeting.htm>.

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

DATE: August 5, 2008

TO: Senator Bob Burns, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Deputy Director

SUBJECT: Department of Education – Review of Qwest Settlement

**Request**

Pursuant to A.R.S. § 15-915(B), the Arizona Department of Education (ADE) requests a favorable review of its plan to provide school districts statewide with \$12,547,300 in corrected Basic State Aid funding due to a recent settlement in the Arizona Tax Court regarding property taxes paid in prior years by the Qwest Corporation.

**Summary**

The Committee has at least the following 2 options:

1. A favorable review of the request, as it conforms with statutory requirements regarding state aid corrections required as a result of Arizona Tax Court rulings.
2. An unfavorable review since the full Legislature chose to not add funding for this item in the FY 2009 budget.

**Analysis**

Subject to review by the JLBC, A.R.S. § 15-915(B) requires the Superintendent of Public Instruction to reimburse school districts for K-12 “local share” taxes that they must refund to a taxpayer due to an Arizona Tax Court ruling that reduces the taxpayer’s assessed property value for prior fiscal years. In this regard, the Arizona Tax Court recently (on April 17, 2008) approved a settlement to a longstanding lawsuit involving the Qwest Corporation. In that lawsuit, Qwest contended that the Arizona Department of Revenue (DOR) had overvalued its taxable property in recent years, causing the corporation to pay too much in local property taxes.

Under terms of the settlement, Arizona counties, cities, towns, school districts and other local taxing jurisdictions collectively must pay Qwest \$40 million in tax refunds. ADE has computed that the school

(Continued)

district share of the settlement will be \$12,547,300. This amount assumes that the governing boards of all affected school districts will request corrected state aid for this issue, as required by A.R.S. § 15-915(B). The settlement, therefore, will have the effect of reducing the amount of K-12 local property tax monies owed by Qwest for fiscal years 2005, 2006 and 2008 by up to \$12,547,300, with the state being required to make up the difference pursuant to A.R.S. § 15-915(B).

The computed \$12,547,300 total does not include settlement-related interest costs or monies to reimburse school districts for taxes paid by Qwest for items other than the QTR and CETR, such as for small school district budget exemptions, desegregation, excess utilities, overrides and bond debt service, as those costs are not addressed in A.R.S. § 15-915(B). The state, however, will end up indirectly paying a portion of those costs if they are normally funded with primary property taxes (which is not the case for overrides and bonding) for districts that already have primary property tax rates that exceed the “1% cap” in the State Constitution, as the state pays 100% of “1% cap” costs. Data with which to estimate their settlement-related “1% cap” costs, however, are not available. Any “1% cap” funding that school districts receive for the settlement will be automatically paid through the Additional State Aid program rather than through a Basic State Aid correction mandated by A.R.S. § 15-915(B) and, therefore, will not receive Committee review.

The computed \$12,547,300 amount would be disbursed to individual school districts after their respective governing boards requested the monies, which potentially could take place over a period of months. The exact timing of the disbursements, therefore, is not known at this time.

A table showing potential district-by-district disbursements is attached. The total correction for a district would equal the sum of the numbers shown in the last 3 columns of the spreadsheet for the 3 data rows shown for each district (1 row for each affected fiscal year). Mesa Unified, for example, would receive a computed correction of \$988,600 under the settlement ( $\$152,200 + \$152,200 + \$39,200 + 149,500 + 149,500 + 38,400 + \$153,800 + \$153,800 = \$988,600$ ).

RS/SSC:ck  
Attachment



State of Arizona  
Department of Education

Tom Horne  
Superintendent of  
Public Instruction

July 23, 2008

Mr. Robert Burns, JLBC Chairman  
Joint Legislative Budget Committee  
1716 W. Adams  
Phoenix, AZ 85007



Re: Correction to State Aid and County Equalization Amounts pursuant to ARS 15-915 (B) (Fiscal Years 2005, 2006, & 2008) due to the QWEST Property Tax Judgment for tax years 2004, 2005 & 2007,

Dear Mr. Burns,

This memorandum is submitted to you pursuant to ARS 15-915 (B) which provides that corrections to state aid based on a change in assessed valuation – pursuant to ARS 42-16213 - are subject to review by the JLBC.

The Arizona Department of Revenue has provided extrapolated changes to the assessed valuations for each year, for each school district impacted. These values, along with data from the ADE, School Finance apportionment system have been used to determine each school districts correction of state aid amount. These corrections affect fiscal years 2005, 2006, and 2008 (tax year 2004, 2005, & 2007). The calculated state aid corrections (including the county equalization amounts) are summarized by county and by district in the attached documents. Corrections to county equalization have been apportioned to each school district based on each districts proportionate share of corrected state aid. The potential fiscal cost, subject to governing board request, is \$12,547,292.51.

Corrections to state aid for all counties and all school districts impacted have been provided for your review. Actual corrections to state aid will be made, as each school district governing board makes its request for state aid correction, pursuant to A.R.S. §15-915(B). If you have any other questions or concerns please contact me at 602-364-0132 or via e-mail at [vicki.salazar@azed.gov](mailto:vicki.salazar@azed.gov)

Sincerely,

Vicki Salazar  
Associate Superintendent – Finance

Cc: Richard Stavneak, Director, JLBC  
Steve Schimpp, JLBC  
Phil Williams, Deputy Associate Superintendent – ADE, School Finance.

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	70363000	7	Aguila Elementary District	22.37	(0.42)	(0.42)	0.42	0.42	0.11
2006	2005	70363000	7	Aguila Elementary District	-	-	-	-	-	-
2005	2004	70468000	7	Alhambra Elementary District	1,162,351.70	(22,004.48)	-	22,004.48	-	2,832.74
2006	2005	70468000	7	Alhambra Elementary District	1,114,216.74	(20,156.18)	-	20,156.18	-	2,588.56
2008	2007	70468000	7	Alhambra Elementary District	1,237,005.76	(19,816.83)	-	19,816.83	-	-
2005	2004	100351000	10	Altar Valley Elementary District	46,865.00	(887.20)	(887.20)	887.20	887.20	216.72
2006	2005	100351000	10	Altar Valley Elementary District	44,738.20	(809.31)	(809.31)	809.31	809.31	196.74
2008	2007	100351000	10	Altar Valley Elementary District	61,184.52	(980.18)	(980.18)	980.18	980.18	-
2005	2004	100210000	10	Amphitheater Unified District	1,625,498.54	(32,560.36)	(32,560.36)	32,560.36	32,560.36	7,953.50
2006	2005	100210000	10	Amphitheater Unified District	1,645,333.95	(31,573.96)	(31,573.96)	31,573.96	31,573.96	7,675.33
2008	2007	100210000	10	Amphitheater Unified District	2,696,249.04	(46,159.78)	(46,159.78)	46,159.78	46,159.78	-
2005	2004	20342000	2	Apache Elementary District	1,654.73	(31.33)	(31.33)	31.33	-	4.87
2006	2005	20342000	2	Apache Elementary District	1,724.99	(31.21)	(31.21)	31.21	-	4.89
2008	2007	20342000	2	Apache Elementary District	1,806.53	(28.94)	(28.94)	28.94	-	-
2005	2004	110243000	11	Apache Junction Unified District	843,502.09	(16,896.19)	(16,896.19)	16,896.19	16,896.19	4,084.80
2006	2005	110243000	11	Apache Junction Unified District	799,525.28	(15,342.89)	(15,342.89)	15,342.89	15,342.89	3,699.54
2008	2007	110243000	11	Apache Junction Unified District	982,998.90	(16,828.94)	(16,828.94)	16,828.94	16,828.94	-
2005	2004	70447000	7	Arlington Elementary District	24,230.00	(458.70)	-	-	-	-
2006	2005	70447000	7	Arlington Elementary District	25,603.10	(463.16)	-	-	-	-
2008	2007	70447000	7	Arlington Elementary District	28,762.14	(460.77)	-	-	-	-
2005	2004	20453000	2	Ash Creek Elementary District	40.44	(0.77)	(0.77)	0.77	-	0.12
2006	2005	20453000	2	Ash Creek Elementary District	42.17	(0.76)	-	0.76	-	0.12
2008	2007	20453000	2	Ash Creek Elementary District	44.16	(0.71)	(0.71)	0.71	-	-
2005	2004	130231000	13	Ash Fork Joint Unified District	47,951.27	(907.77)	(907.77)	907.77	-	137.84
2006	2005	130231000	13	Ash Fork Joint Unified District	48,554.41	(878.35)	(878.35)	878.35	-	132.46
2008	2007	130231000	13	Ash Fork Joint Unified District	56,351.97	(902.76)	(902.76)	902.76	902.76	-
2005	2004	70444000	7	Avondale Elementary District	503,758.41	(9,536.65)	-	9,536.65	-	1,227.70
2006	2005	70444000	7	Avondale Elementary District	544,317.87	(9,846.71)	-	9,846.71	-	1,264.56
2008	2007	70444000	7	Avondale Elementary District	635,896.02	(10,187.05)	-	10,187.05	-	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 1 of 20

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	130220000	13	Bagdad Unified District	4,579.41	(86.69)	(86.69)	86.69	86.69	26.33
2006	2005	130220000	13	Bagdad Unified District	4,686.71	(84.78)	(84.78)	84.78	-	12.79
2008	2007	130220000	13	Bagdad Unified District	5,439.31	(87.14)	(87.14)	87.14	-	-
2005	2004	70431000	7	Balsz Elementary District	435,183.92	(8,238.47)	-	8,238.47	-	1,060.58
2006	2005	70431000	7	Balsz Elementary District	449,487.53	(8,131.23)	-	8,131.23	-	1,044.25
2008	2007	70431000	7	Balsz Elementary District	520,498.79	(8,338.39)	-	8,338.39	-	-
2005	2004	130326000	13	Beaver Creek Elementary District	111,617.21	(2,113.03)	(2,113.03)	2,113.03	2,113.03	641.69
2006	2005	130326000	13	Beaver Creek Elementary District	110,757.40	(2,003.60)	(2,003.60)	2,003.60	2,003.60	604.30
2008	2007	130326000	13	Beaver Creek Elementary District	130,032.39	(2,083.12)	(2,083.12)	2,083.12	2,083.12	-
2005	2004	20209000	2	Benson Unified School District	214,979.55	(4,069.78)	(4,069.78)	4,069.78	4,069.78	1,264.16
2006	2005	20209000	2	Benson Unified School District	226,279.70	(4,093.40)	(4,093.40)	4,093.40	4,093.40	1,283.20
2008	2007	20209000	2	Benson Unified School District	227,331.18	(3,641.85)	(3,641.85)	3,641.85	3,641.85	-
2005	2004	20202000	2	Bisbee Unified District	194,819.68	(3,688.13)	(3,688.13)	3,688.13	3,688.13	1,145.61
2006	2005	20202000	2	Bisbee Unified District	205,568.10	(3,718.73)	(3,718.73)	3,718.73	3,718.73	1,165.74
2008	2007	20202000	2	Bisbee Unified District	205,087.37	(3,285.50)	(3,285.50)	3,285.50	3,285.50	-
2005	2004	50316000	5	Bonita Elementary District	2,542.20	(48.13)	(48.13)	48.13	-	5.62
2006	2005	50316000	5	Bonita Elementary District	2,513.19	(45.46)	(45.46)	45.46	-	5.29
2008	2007	50316000	5	Bonita Elementary District	2,670.17	(42.78)	-	42.78	-	-
2005	2004	20214000	2	Bowie Unified District	8,329.90	(157.69)	(157.69)	157.69	157.69	48.98
2006	2005	20214000	2	Bowie Unified District	8,581.60	(155.24)	(155.24)	155.24	-	24.33
2008	2007	20214000	2	Bowie Unified District	9,266.38	(148.45)	(148.45)	148.45	148.45	-
2005	2004	70433000	7	Buckeye Elementary District	310,154.42	(5,871.53)	-	5,871.53	-	755.87
2006	2005	70433000	7	Buckeye Elementary District	464,683.07	(8,406.12)	-	8,406.12	-	1,079.56
2008	2007	70433000	7	Buckeye Elementary District	489,637.00	(7,843.98)	-	7,843.98	-	-
2005	2004	130228000	13	Camp Verde Unified District	250,432.78	(4,740.94)	(4,740.94)	4,740.94	4,740.94	1,439.73
2006	2005	130228000	13	Camp Verde Unified District	264,270.56	(4,780.65)	(4,780.65)	4,780.65	4,780.65	1,441.88
2008	2007	130228000	13	Camp Verde Unified District	310,434.79	(4,973.17)	(4,973.17)	4,973.17	4,973.17	-
2005	2004	130350000	13	Canon Elementary District	71,993.01	(1,362.90)	(1,362.90)	1,362.90	1,362.90	413.89
2006	2005	130350000	13	Canon Elementary District	74,484.64	(1,347.43)	(1,347.43)	1,347.43	1,347.43	406.39
2008	2007	130350000	13	Canon Elementary District	87,741.20	(1,405.61)	(1,405.61)	1,405.61	1,405.61	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 2 of 20



State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	70483000	7	Cartwright Elementary District	1,407,007.54	(26,636.06)	-	26,636.06	-	3,428.98
2006	2005	70483000	7	Cartwright Elementary District	1,154,060.10	(20,876.95)	-	20,876.95	-	2,681.12
2008	2007	70483000	7	Cartwright Elementary District	1,344,126.07	(21,532.90)	-	21,532.90	-	-
2005	2004	110404000	11	Casa Grande Elementary District	777,687.75	(14,722.41)	-	14,722.41	-	1,779.63
2006	2005	110404000	11	Casa Grande Elementary District	748,139.03	(13,533.84)	-	13,533.84	-	1,631.67
2008	2007	110404000	11	Casa Grande Elementary District	-	-	-	-	-	-
2005	2004	100216000	10	Catalina Foothills Unified District	-	-	-	-	-	-
2006	2005	100216000	10	Catalina Foothills Unified District	624,150.80	(11,977.45)	(11,977.45)	11,977.45	11,977.45	2,911.61
2008	2007	100216000	10	Catalina Foothills Unified District	1,055,020.44	(18,061.95)	(18,061.95)	18,061.95	18,061.95	-
2005	2004	70293000	7	Cave Creek Unified District	907,556.85	(18,179.27)	(18,179.27)	-	-	-
2006	2005	70293000	7	Cave Creek Unified District	922,148.81	(17,696.04)	(17,696.04)	-	-	-
2008	2007	70293000	7	Cave Creek Unified District	1,131,795.18	(19,376.33)	(19,376.33)	-	-	-
2005	2004	130314000	13	Champie Elementary District	-	-	-	-	-	-
2006	2005	130314000	13	Champie Elementary District	-	-	-	-	-	-
2008	2007	130314000	13	Champie Elementary District	-	-	-	-	-	-
2005	2004	70280000	7	Chandler Unified District	2,794,137.05	(55,969.36)	(55,969.36)	55,969.36	55,969.36	14,410.38
2006	2005	70280000	7	Chandler Unified District	2,816,897.75	(54,056.27)	(54,056.27)	54,056.27	54,056.27	13,884.35
2008	2007	70280000	7	Chandler Unified District	3,452,034.28	(59,098.83)	(59,098.83)	59,098.83	59,098.83	-
2005	2004	130251000	13	Chino Valley Unified District	396,060.92	(7,497.83)	(7,497.83)	7,497.83	7,497.83	2,276.95
2006	2005	130251000	13	Chino Valley Unified District	401,776.71	(7,268.14)	(7,268.14)	7,268.14	7,268.14	2,192.12
2008	2007	130251000	13	Chino Valley Unified District	463,701.91	(7,428.50)	(7,428.50)	7,428.50	7,428.50	-
2005	2004	130403000	13	Clarkdale-Jerome Elementary District	44,651.86	(845.30)	-	845.30	-	128.35
2006	2005	130403000	13	Clarkdale-Jerome Elementary District	44,862.29	(811.56)	-	811.56	-	122.39
2008	2007	130403000	13	Clarkdale-Jerome Elementary District	52,329.72	(838.32)	-	838.32	-	-
2005	2004	60203000	6	Clifton Unified District	85.27	(1.61)	(1.61)	1.61	1.61	0.39
2006	2005	60203000	6	Clifton Unified District	114.45	(2.07)	(2.07)	2.07	2.07	0.52
2008	2007	60203000	6	Clifton Unified District	104.46	(1.67)	(1.67)	1.67	1.67	-
2005	2004	20326000	2	Cochise Elementary District	5,632.57	(106.63)	(106.63)	-	-	-
2006	2005	20326000	2	Cochise Elementary District	5,880.25	(106.37)	(106.37)	-	-	-
2008	2007	20326000	2	Cochise Elementary District	6,149.33	(98.51)	(98.51)	-	-	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 3 of 20



State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	EI Levy Adj	HS Levy Adj	EI State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	130317000	13	Congress Elementary District	44,739.24	(846.96)	(846.96)	846.96	846.96	257.21
2006	2005	130317000	13	Congress Elementary District	45,009.40	(814.22)	(814.22)	814.22	-	122.79
2008	2007	130317000	13	Congress Elementary District	52,025.94	(833.46)	(833.46)	833.46	-	-
2005	2004	100339000	10	Continental Elementary District	357,102.84	(6,760.31)	(6,760.31)	-	-	-
2006	2005	100339000	10	Continental Elementary District	380,855.22	(6,889.67)	(6,889.67)	-	-	-
2008	2007	100339000	10	Continental Elementary District	525,899.85	(8,424.92)	(8,424.92)	-	-	-
2005	2004	110221000	11	Coolidge Unified District	222,806.13	(4,217.94)	(4,217.94)	4,217.94	4,217.94	1,019.72
2006	2005	110221000	11	Coolidge Unified District	218,550.90	(3,953.59)	(3,953.59)	3,953.59	3,953.59	953.30
2008	2007	110221000	11	Coolidge Unified District	279,837.22	(4,482.99)	(4,482.99)	4,482.99	4,482.99	-
2005	2004	130406000	13	Cottonwood-Oak Creek Elementary District	964,245.84	(18,254.14)	-	18,254.14	-	2,771.72
2006	2005	130406000	13	Cottonwood-Oak Creek Elementary District	986,652.95	(17,848.55)	-	17,848.55	-	2,691.62
2008	2007	130406000	13	Cottonwood-Oak Creek Elementary District	1,143,378.33	(18,316.92)	-	18,316.92	-	-
2005	2004	140413000	14	Crane Elementary District	198,270.34	(3,971.55)	-	3,971.55	-	477.18
2006	2005	140413000	14	Crane Elementary District	137,237.04	(2,633.58)	-	2,633.58	-	429.01
2008	2007	140413000	14	Crane Elementary District	208,006.27	(3,561.07)	-	3,561.07	-	-
2005	2004	70414000	7	Creighton Elementary District	2,337,903.70	(46,830.55)	-	46,830.55	-	6,028.71
2006	2005	70414000	7	Creighton Elementary District	2,409,307.95	(46,234.62)	-	46,234.62	-	5,937.68
2008	2007	70414000	7	Creighton Elementary District	2,737,013.13	(46,857.66)	-	46,857.66	-	-
2005	2004	130341000	13	Crown King Elementary District	15,550.29	(294.38)	-	294.38	-	44.70
2006	2005	130341000	13	Crown King Elementary District	15,631.95	(282.78)	-	-	-	-
2008	2007	130341000	13	Crown King Elementary District	15,369.29	(246.22)	-	-	-	-
2005	2004	70297000	7	Deer Valley Unified District	2,531,067.64	(47,915.64)	(47,915.64)	47,915.64	47,915.64	12,336.79
2006	2005	70297000	7	Deer Valley Unified District	2,590,437.21	(46,861.01)	(46,861.01)	46,861.01	46,861.01	12,036.25
2008	2007	70297000	7	Deer Valley Unified District	2,959,361.77	(47,408.98)	(47,408.98)	47,408.98	47,408.98	-
2005	2004	20345000	2	Double Adobe Elementary District	4,002.93	(75.78)	(75.78)	75.78	75.78	23.54
2006	2005	20345000	2	Double Adobe Elementary District	4,172.94	(75.49)	(75.49)	75.49	75.49	23.66
2008	2007	20345000	2	Double Adobe Elementary District	4,370.15	(70.01)	(70.01)	70.01	70.01	-
2005	2004	20227000	2	Douglas Unified District	221,284.25	(4,189.13)	(4,189.13)	4,189.13	4,189.13	1,301.23
2006	2005	20227000	2	Douglas Unified District	234,599.07	(4,243.90)	(4,243.90)	4,243.90	4,243.90	1,330.37
2008	2007	20227000	2	Douglas Unified District	238,925.19	(3,827.58)	(3,827.58)	3,827.58	3,827.58	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 4 of 20

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	60202000	6	Duncan Unified District	15,045.85	(284.83)	(284.83)	284.83	284.83	69.31
2006	2005	60202000	6	Duncan Unified District	20,059.55	(362.88)	(362.88)	362.88	362.88	90.90
2008	2007	60202000	6	Duncan Unified District	16,842.83	(269.82)	(269.82)	269.82	269.82	-
2005	2004	70289000	7	Dysart Unified District	923,644.94	(18,501.53)	(18,501.53)	18,501.53	18,501.53	4,763.57
2006	2005	70289000	7	Dysart Unified District	928,187.67	(17,811.92)	(17,811.92)	17,811.92	17,811.92	4,574.99
2008	2007	70289000	7	Dysart Unified District	1,136,338.84	(19,454.12)	(19,454.12)	19,454.12	19,454.12	-
2005	2004	20412000	2	Elfrida Elementary District	639.55	(12.11)	-	12.11	-	1.88
2006	2005	20412000	2	Elfrida Elementary District	666.71	(12.06)	-	12.06	-	1.89
2008	2007	20412000	2	Elfrida Elementary District	698.20	(11.19)	-	11.19	-	-
2005	2004	110411000	11	Eloy Elementary District	106,663.39	(2,019.24)	-	2,019.24	-	244.08
2006	2005	110411000	11	Eloy Elementary District	113,304.45	(2,049.68)	-	2,049.68	-	247.11
2008	2007	110411000	11	Eloy Elementary District	128,305.52	(2,055.45)	-	2,055.45	-	-
2005	2004	100337000	10	Empire Elementary District	3,403.45	(64.43)	(64.43)	64.43	-	7.87
2006	2005	100337000	10	Empire Elementary District	3,444.73	(62.32)	(62.32)	-	-	-
2008	2007	100337000	10	Empire Elementary District	3,957.64	(63.40)	(63.40)	63.40	-	-
2005	2004	30201000	3	Flagstaff Unified District	2,979,076.82	(59,673.89)	(59,673.89)	59,673.89	59,673.89	16,436.11
2006	2005	30201000	3	Flagstaff Unified District	2,971,599.78	(57,025.00)	(57,025.00)	57,025.00	57,025.00	15,672.18
2008	2007	30201000	3	Flagstaff Unified District	3,580,273.13	(61,294.28)	(61,294.28)	61,294.28	61,294.28	-
2005	2004	110201000	11	Florence Unified School District	165,850.67	(3,139.72)	(3,139.72)	3,139.72	3,139.72	759.05
2006	2005	110201000	11	Florence Unified School District	157,049.51	(2,841.03)	(2,841.03)	2,841.03	2,841.03	685.04
2008	2007	110201000	11	Florence Unified School District	192,943.27	(3,090.95)	(3,090.95)	3,090.95	3,090.95	-
2005	2004	100208000	10	Flowing Wells Unified District	680,394.34	(13,628.98)	(13,628.98)	13,628.98	13,628.98	3,329.14
2006	2005	100208000	10	Flowing Wells Unified District	719,003.93	(13,797.69)	(13,797.69)	13,797.69	13,797.69	3,354.09
2008	2007	100208000	10	Flowing Wells Unified District	1,170,790.65	(20,043.94)	(20,043.94)	20,043.94	20,043.94	-
2005	2004	20381000	2	Forrest Elementary District	6,719.03	(127.20)	(127.20)	-	127.20	19.76
2006	2005	20381000	2	Forrest Elementary District	7,004.44	(126.71)	(126.71)	-	126.71	19.86
2008	2007	20381000	2	Forrest Elementary District	7,335.43	-	(117.51)	-	-	-
2005	2004	70298000	7	Fountain Hills Unified District	581,922.96	(11,016.38)	(11,016.38)	11,016.38	-	1,418.19
2006	2005	70298000	7	Fountain Hills Unified District	593,764.40	(10,741.20)	(10,741.20)	10,741.20	-	1,379.44
2008	2007	70298000	7	Fountain Hills Unified District	681,885.12	(10,923.80)	(10,923.80)	-	-	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	70445000	7	Fowler Elementary District	155,861.11	(2,950.61)	-	2,950.61	-	379.85
2006	2005	70445000	7	Fowler Elementary District	132,218.26	(2,391.83)	-	2,391.83	-	307.17
2008	2007	70445000	7	Fowler Elementary District	149,717.06	(2,398.47)	-	2,398.47	-	-
2005	2004	30206000	3	Fredonia-Moccasin Unified District	52,094.58	(986.20)	(986.20)	986.20	986.20	271.63
2006	2005	30206000	3	Fredonia-Moccasin Unified District	48,842.72	(883.56)	(883.56)	883.56	883.56	242.83
2008	2007	30206000	3	Fredonia-Moccasin Unified District	58,654.60	(939.65)	(939.65)	939.65	939.65	-
2005	2004	50207000	5	Ft Thomas Unified District	-	-	-	-	-	-
2006	2005	50207000	5	Ft Thomas Unified District	-	-	-	-	-	-
2008	2007	50207000	5	Ft Thomas Unified District	-	-	-	-	-	-
2005	2004	140432000	14	Gadsden Elementary District	46,908.72	(888.03)	-	888.03	-	106.70
2006	2005	140432000	14	Gadsden Elementary District	31,745.92	(574.28)	-	574.28	-	93.55
2008	2007	140432000	14	Gadsden Elementary District	50,025.60	(801.41)	-	801.41	-	-
2005	2004	70224000	7	Gila Bend Unified District	81,169.22	(1,536.61)	(1,536.61)	1,536.61	1,536.61	395.63
2006	2005	70224000	7	Gila Bend Unified District	88,337.67	(1,598.03)	(1,598.03)	1,598.03	-	205.23
2008	2007	70224000	7	Gila Bend Unified District	91,348.82	(1,463.41)	(1,463.41)	1,463.41	-	-
2005	2004	70241000	7	Gilbert Unified District	1,983,088.82	(37,541.85)	(37,541.85)	37,541.85	37,541.85	9,665.86
2006	2005	70241000	7	Gilbert Unified District	2,073,759.69	(37,514.31)	(37,514.31)	37,514.31	37,514.31	9,635.55
2008	2007	70241000	7	Gilbert Unified District	2,428,952.53	(38,911.82)	(38,911.82)	38,911.82	38,911.82	-
2005	2004	70440000	7	Glendale Elementary District	1,628,019.46	(30,820.04)	-	30,820.04	-	3,967.60
2006	2005	70440000	7	Glendale Elementary District	1,670,508.70	(30,219.50)	-	30,219.50	-	3,880.94
2008	2007	70440000	7	Glendale Elementary District	1,960,029.98	(31,399.68)	-	31,399.68	-	-
2005	2004	40201000	4	Globe Unified District	190,780.76	(3,611.67)	(3,611.67)	3,611.67	3,611.67	946.77
2006	2005	40201000	4	Globe Unified District	192,638.78	(3,484.84)	(3,484.84)	3,484.84	3,484.84	910.83
2008	2007	40201000	4	Globe Unified District	239,188.47	(3,831.80)	(3,831.80)	3,831.80	3,831.80	-
2005	2004	30204000	3	Grand Canyon Unified District	165,403.25	(3,131.25)	(3,131.25)	3,131.25	3,131.25	862.45
2006	2005	30204000	3	Grand Canyon Unified District	167,735.11	(3,034.33)	(3,034.33)	3,034.33	3,034.33	833.92
2008	2007	30204000	3	Grand Canyon Unified District	218,807.38	(3,505.29)	(3,505.29)	3,505.29	3,505.29	-
2005	2004	40241000	4	Hayden-Winkelman Unified District	54,669.10	(1,034.94)	(1,034.94)	1,034.94	1,034.94	271.30
2006	2005	40241000	4	Hayden-Winkelman Unified District	56,464.23	(1,021.44)	(1,021.44)	1,021.44	1,021.44	266.97
2008	2007	40241000	4	Hayden-Winkelman Unified District	72,985.03	(1,169.22)	(1,169.22)	1,169.22	1,169.22	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 6 of 20



State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	70260000	7	Higley Unified School District	234,784.23	(4,444.70)	(4,444.70)	4,444.70	4,444.70	1,144.37
2006	2005	70260000	7	Higley Unified School District	324,648.17	(5,872.89)	(5,872.89)	5,872.89	5,872.89	1,508.45
2008	2007	70260000	7	Higley Unified School District	411,249.82	(6,588.22)	(6,588.22)	6,588.22	6,588.22	-
2005	2004	130335000	13	Hillside Elementary District	2,346.95	(44.43)	(44.43)	44.43	-	6.75
2006	2005	130335000	13	Hillside Elementary District	2,401.81	(43.45)	(43.45)	43.45	-	6.55
2008	2007	130335000	13	Hillside Elementary District	2,787.55	(44.66)	(44.66)	44.66	-	-
2005	2004	90203000	9	Holbrook Unified District	612.19	(11.59)	(11.59)	11.59	11.59	3.12
2006	2005	90203000	9	Holbrook Unified District	430.08	(7.78)	(7.78)	7.78	7.78	2.24
2008	2007	90203000	9	Holbrook Unified District	273.66	(4.38)	(4.38)	4.38	4.38	-
2005	2004	130222000	13	Humboldt Unified District	651,660.23	(12,336.58)	(12,336.58)	12,336.58	12,336.58	3,746.38
2006	2005	130222000	13	Humboldt Unified District	673,091.60	(12,176.23)	(12,176.23)	12,176.23	12,176.23	3,672.43
2008	2007	130222000	13	Humboldt Unified District	823,751.00	(13,196.49)	(13,196.49)	13,196.49	13,196.49	-
2005	2004	100240000	10	Indian Oasis-Baboquivari Unified District	-	-	-	-	-	-
2006	2005	100240000	10	Indian Oasis-Baboquivari Unified District	-	-	-	-	-	-
2008	2007	100240000	10	Indian Oasis-Baboquivari Unified District	-	-	-	-	-	-
2005	2004	70405000	7	Isaac Elementary District	987,295.77	(18,690.50)	-	18,690.50	-	2,406.11
2006	2005	70405000	7	Isaac Elementary District	995,174.09	(18,002.70)	-	18,002.70	-	2,312.00
2008	2007	70405000	7	Isaac Elementary District	1,148,491.76	(18,398.84)	-	18,398.84	-	-
2005	2004	110244000	11	J O Combs Unified School District	22,366.28	(423.42)	(423.42)	423.42	423.42	102.37
2006	2005	110244000	11	J O Combs Unified School District	21,419.64	(387.48)	(387.48)	387.48	387.48	93.43
2008	2007	110244000	11	J O Combs Unified School District	26,837.75	(429.94)	(429.94)	429.94	429.94	-
2005	2004	90202000	9	Joseph City Unified District	38,807.00	(777.34)	(777.34)	-	-	-
2006	2005	90202000	9	Joseph City Unified District	41,212.09	(790.86)	(790.86)	-	-	-
2008	2007	90202000	9	Joseph City Unified District	35,347.79	(605.15)	(605.15)	605.15	-	-
2005	2004	130323000	13	Kirkland Elementary District	50,243.54	(951.16)	(951.16)	951.16	951.16	288.85
2006	2005	130323000	13	Kirkland Elementary District	48,404.04	(875.63)	(875.63)	875.63	875.63	264.10
2008	2007	130323000	13	Kirkland Elementary District	56,081.89	(898.43)	(898.43)	898.43	898.43	-
2005	2004	70428000	7	Kyrene Elementary District	3,870,688.74	(77,533.77)	-	77,533.77	-	9,981.27
2006	2005	70428000	7	Kyrene Elementary District	4,007,695.32	(76,907.67)	-	76,907.67	-	9,876.87
2008	2007	70428000	7	Kyrene Elementary District	4,600,861.52	(78,766.75)	-	78,766.75	-	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 7 of 20

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	70459000	7	Laveen Elementary District	191,859.24	(3,632.09)	-	3,632.09	-	467.58
2006	2005	70459000	7	Laveen Elementary District	201,969.16	(3,653.62)	-	3,653.62	-	469.22
2008	2007	70459000	7	Laveen Elementary District	289,732.51	(4,641.51)	-	4,641.51	-	-
2005	2004	70425000	7	Liberty Elementary District	113,299.51	(2,144.87)	-	2,144.87	-	276.12
2006	2005	70425000	7	Liberty Elementary District	118,136.66	(2,137.09)	-	2,137.09	-	274.46
2008	2007	70425000	7	Liberty Elementary District	136,789.97	(2,191.38)	-	2,191.38	-	-
2005	2004	70479000	7	Litchfield Elementary District	637,799.99	(12,775.77)	-	12,775.77	-	1,644.68
2006	2005	70479000	7	Litchfield Elementary District	754,927.53	(14,487.06)	-	14,487.06	-	1,860.50
2008	2007	70479000	7	Litchfield Elementary District	903,249.21	(15,463.63)	-	15,463.63	-	-
2005	2004	70465000	7	Littleton Elementary District	69,236.95	(1,310.72)	-	1,310.72	-	168.73
2006	2005	70465000	7	Littleton Elementary District	72,095.73	(1,304.21)	-	1,304.21	-	167.49
2008	2007	70465000	7	Littleton Elementary District	83,559.99	(1,338.63)	-	1,338.63	-	-
2005	2004	70438000	7	Madison Elementary District	1,366,606.84	(25,871.23)	-	25,871.23	-	3,330.52
2006	2005	70438000	7	Madison Elementary District	1,319,543.29	(23,870.54)	-	23,870.54	-	3,065.57
2008	2007	70438000	7	Madison Elementary District	1,511,643.34	(24,216.53)	-	24,216.53	-	-
2005	2004	30310000	3	Maine Consolidated School District	32,938.09	(623.55)	(623.55)	623.55	-	85.87
2006	2005	30310000	3	Maine Consolidated School District	32,703.00	(591.60)	(591.60)	591.60	-	81.29
2008	2007	30310000	3	Maine Consolidated School District	38,945.87	(623.91)	(623.91)	623.91	-	-
2005	2004	110208000	11	Mammoth-San Manuel Unified District	124,581.21	(2,358.45)	(2,358.45)	2,358.45	2,358.45	570.18
2006	2005	110208000	11	Mammoth-San Manuel Unified District	123,188.87	(2,228.49)	(2,228.49)	2,228.49	2,228.49	537.34
2008	2007	110208000	11	Mammoth-San Manuel Unified District	139,026.14	(2,227.20)	(2,227.20)	2,227.20	2,227.20	-
2005	2004	100206000	10	Marana Unified District	750,871.02	(14,214.74)	(14,214.74)	14,214.74	14,214.74	3,472.23
2006	2005	100206000	10	Marana Unified District	768,534.43	(13,902.79)	(13,902.79)	13,902.79	13,902.79	3,379.64
2008	2007	100206000	10	Marana Unified District	1,350,847.93	(21,640.58)	(21,640.58)	21,640.58	21,640.58	-
2005	2004	110220000	11	Maricopa Unified School District	114,819.90	(2,173.66)	(2,173.66)	2,173.66	2,173.66	525.50
2006	2005	110220000	11	Maricopa Unified School District	196,855.58	(3,561.12)	(3,561.12)	3,561.12	3,561.12	858.67
2008	2007	110220000	11	Maricopa Unified School District	236,135.34	(3,782.89)	(3,782.89)	3,782.89	3,782.89	-
2005	2004	130243000	13	Mayer Unified School District	157,017.77	(2,972.50)	(2,972.50)	2,972.50	2,972.50	902.69
2006	2005	130243000	13	Mayer Unified School District	160,362.75	(2,900.96)	(2,900.96)	2,900.96	2,900.96	874.95
2008	2007	130243000	13	Mayer Unified School District	182,848.65	(2,929.24)	(2,929.24)	2,929.24	2,929.24	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 8 of 20

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	20355000	2	McNeal Elementary District	776.32	(14.70)	(14.70)	14.70	14.70	4.57
2006	2005	20355000	2	McNeal Elementary District	809.30	(14.64)	(14.64)	14.64	14.64	4.59
2008	2007	20355000	2	McNeal Elementary District	847.53	(13.58)	(13.58)	13.58	13.58	-
2005	2004	70204000	7	Mesa Unified District	7,599,416.72	(152,223.92)	(152,223.92)	152,223.92	152,223.92	39,192.95
2006	2005	70204000	7	Mesa Unified District	7,792,732.87	(149,542.54)	(149,542.54)	149,542.54	149,542.54	38,410.00
2008	2007	70204000	7	Mesa Unified District	8,980,828.66	(153,751.79)	(153,751.79)	153,751.79	153,751.79	-
2005	2004	40240000	4	Miami Unified District	86,023.84	(1,628.52)	(1,628.52)	1,628.52	1,628.52	426.90
2006	2005	40240000	4	Miami Unified District	87,753.11	(1,587.45)	(1,587.45)	1,587.45	1,587.45	414.91
2008	2007	40240000	4	Miami Unified District	110,964.61	(1,777.65)	(1,777.65)	1,777.65	1,777.65	-
2005	2004	70386000	7	Mobile Elementary District	1,328.21	(25.14)	-	25.14	-	3.24
2006	2005	70386000	7	Mobile Elementary District	1,381.97	(25.00)	-	25.00	-	3.21
2008	2007	70386000	7	Mobile Elementary District	1,600.46	(25.64)	(25.64)	25.64	-	-
2005	2004	140417000	14	Mohawk Valley Elementary District	57,936.41	(1,096.79)	(1,096.79)	1,096.79	-	131.78
2006	2005	140417000	14	Mohawk Valley Elementary District	37,829.76	(684.34)	-	684.34	-	111.48
2008	2007	140417000	14	Mohawk Valley Elementary District	56,272.37	(901.48)	-	901.48	-	-
2005	2004	60218000	6	Morenci Unified District	314.67	(5.96)	(5.96)	5.96	-	0.73
2006	2005	60218000	6	Morenci Unified District	421.82	(7.63)	(7.63)	-	-	-
2008	2007	60218000	6	Morenci Unified District	385.41	(6.17)	(6.17)	-	-	-
2005	2004	70375000	7	Morristown Elementary District	47,155.18	(892.69)	(892.69)	892.69	892.69	229.84
2006	2005	70375000	7	Morristown Elementary District	49,235.57	(890.67)	(890.67)	890.67	890.67	228.77
2008	2007	70375000	7	Morristown Elementary District	69,978.18	(1,121.05)	(1,121.05)	1,121.05	1,121.05	-
2005	2004	70421000	7	Murphy Elementary District	239,303.96	(4,530.26)	-	4,530.26	-	583.20
2006	2005	70421000	7	Murphy Elementary District	248,283.98	(4,491.46)	-	4,491.46	-	576.82
2008	2007	70421000	7	Murphy Elementary District	287,209.12	(4,601.09)	-	4,601.09	-	-
2005	2004	20323000	2	Naco Elementary District	6,420.47	(121.55)	(121.55)	121.55	121.55	37.76
2006	2005	20323000	2	Naco Elementary District	6,693.14	(121.08)	(121.08)	121.08	121.08	37.96
2008	2007	20323000	2	Naco Elementary District	7,009.43	(112.29)	(112.29)	112.29	112.29	-
2005	2004	70281000	7	Nadaburg Unified School District	21,889.42	(414.39)	(414.39)	414.39	414.39	106.69
2006	2005	70281000	7	Nadaburg Unified School District	22,455.64	(406.22)	(406.22)	406.22	406.22	104.34
2008	2007	70281000	7	Nadaburg Unified School District	26,012.06	(416.71)	(416.71)	416.71	416.71	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 9 of 20



State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	120201000	12	Nogales Unified District	576,803.06	(10,919.46)	(10,919.46)	10,919.46	10,919.46	2,370.80
2006	2005	120201000	12	Nogales Unified District	595,846.75	(10,778.87)	(10,778.87)	10,778.87	10,778.87	2,738.52
2008	2007	120201000	12	Nogales Unified District	650,017.11	(10,413.27)	(10,413.27)	10,413.27	10,413.27	-
2005	2004	110302000	11	Oracle Elementary District	108,706.93	(2,057.93)	(2,057.93)	2,057.93	-	248.76
2006	2005	110302000	11	Oracle Elementary District	97,986.63	(1,772.58)	(1,772.58)	1,772.58	-	213.71
2008	2007	110302000	11	Oracle Elementary District	114,690.26	(1,837.34)	(1,837.34)	1,837.34	-	-
2005	2004	70408000	7	Osborn Elementary District	4,425,451.72	(83,778.23)	-	83,778.23	-	10,785.15
2006	2005	70408000	7	Osborn Elementary District	4,500,022.18	(81,405.40)	-	81,405.40	-	10,454.49
2008	2007	70408000	7	Osborn Elementary District	4,984,253.91	(79,847.75)	-	79,847.75	-	-
2005	2004	30208000	3	Page Unified District	200,470.48	(3,795.11)	(3,795.11)	3,795.11	3,795.11	1,045.30
2006	2005	30208000	3	Page Unified District	201,812.74	(3,650.79)	(3,650.79)	3,650.79	3,650.79	1,003.35
2008	2007	30208000	3	Page Unified District	234,611.91	(3,758.48)	(3,758.48)	3,758.48	3,758.48	-
2005	2004	70449000	7	Palo Verde Elementary District	28,363.42	(536.95)	(536.95)	536.95	-	69.12
2006	2005	70449000	7	Palo Verde Elementary District	29,306.16	(530.15)	-	530.15	-	68.08
2008	2007	70449000	7	Palo Verde Elementary District	33,982.08	(544.39)	-	544.39	-	-
2005	2004	70394000	7	Paloma School District	6,058.08	(114.69)	(114.69)	114.69	114.69	29.53
2006	2005	70394000	7	Paloma School District	6,303.21	(114.03)	(114.03)	114.03	114.03	29.29
2008	2007	70394000	7	Paloma School District	7,299.78	(116.94)	(116.94)	116.94	116.94	-
2005	2004	20349000	2	Palominas Elementary District	86,383.85	(1,635.33)	(1,635.33)	1,635.33	1,635.33	507.97
2006	2005	20349000	2	Palominas Elementary District	91,132.06	(1,648.58)	(1,648.58)	1,648.58	1,648.58	516.80
2008	2007	20349000	2	Palominas Elementary District	96,933.53	(1,552.88)	(1,552.88)	1,552.88	1,552.88	-
2005	2004	70269000	7	Paradise Valley Unified District	4,091,687.58	(77,459.74)	(77,459.74)	77,459.74	77,459.74	19,943.48
2006	2005	70269000	7	Paradise Valley Unified District	4,175,756.91	(75,539.44)	(75,539.44)	75,539.44	75,539.44	19,402.30
2008	2007	70269000	7	Paradise Valley Unified District	4,800,451.50	(76,903.23)	(76,903.23)	76,903.23	76,903.23	-
2005	2004	120406000	12	Patagonia Elementary District	68,177.80	(1,290.67)	(1,290.67)	1,290.67	-	140.11
2006	2005	120406000	12	Patagonia Elementary District	70,184.60	(1,269.64)	-	1,269.64	-	161.28
2008	2007	120406000	12	Patagonia Elementary District	76,315.83	(1,222.58)	-	1,222.58	-	-
2005	2004	40210000	4	Payson Unified District	417,507.77	(8,363.10)	(8,363.10)	8,363.10	8,363.10	2,192.32
2006	2005	40210000	4	Payson Unified District	430,232.55	(8,256.16)	(8,256.16)	8,256.16	8,256.16	2,157.91
2008	2007	40210000	4	Payson Unified District	523,966.70	(8,970.31)	(8,970.31)	8,970.31	8,970.31	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 10 of 20

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	80208000	8	Peach Springs Unified District	-	-	-	-	-	-
2006	2005	80208000	8	Peach Springs Unified District	-	-	-	-	-	-
2008	2007	80208000	8	Peach Springs Unified District	26.56	(0.43)	(0.43)	0.43	-	-
2005	2004	20422000	2	Pearce Elementary District	273.55	(5.18)	(5.18)	5.18	-	0.80
2006	2005	20422000	2	Pearce Elementary District	285.16	(5.16)	-	5.16	-	0.81
2008	2007	20422000	2	Pearce Elementary District	298.61	(4.78)	(4.78)	4.78	-	-
2005	2004	70492000	7	Pendergast Elementary District	675,635.75	(13,533.66)	-	13,533.66	-	1,742.25
2006	2005	70492000	7	Pendergast Elementary District	740,376.27	(14,207.82)	-	14,207.82	-	1,824.64
2008	2007	70492000	7	Pendergast Elementary District	868,919.68	(14,875.90)	-	14,875.90	-	-
2005	2004	70211000	7	Peoria Unified School District	2,441,265.75	(48,900.99)	(48,900.99)	48,900.99	48,900.99	12,590.49
2006	2005	70211000	7	Peoria Unified School District	2,574,188.43	(49,398.68)	(49,398.68)	49,398.68	49,398.68	12,688.05
2008	2007	70211000	7	Peoria Unified School District	2,986,084.78	(51,121.77)	(51,121.77)	51,121.77	51,121.77	-
2005	2004	70401000	7	Phoenix Elementary District	7,032,129.30	(133,125.24)	-	133,125.24	-	17,137.81
2006	2005	70401000	7	Phoenix Elementary District	7,119,719.21	(128,795.72)	-	128,795.72	-	16,540.59
2008	2007	70401000	7	Phoenix Elementary District	8,229,314.96	(131,833.63)	-	131,833.63	-	-
2005	2004	110433000	11	Picacho Elementary District	12,310.65	(233.05)	-	233.05	-	28.17
2006	2005	110433000	11	Picacho Elementary District	11,168.71	(202.04)	-	202.04	-	24.36
2008	2007	110433000	11	Picacho Elementary District	14,014.60	(224.51)	-	224.51	-	-
2005	2004	50206000	5	Pima Unified District	47,780.63	(904.54)	(904.54)	904.54	904.54	211.36
2006	2005	50206000	5	Pima Unified District	50,689.70	(916.98)	(916.98)	916.98	916.98	213.54
2008	2007	50206000	5	Pima Unified District	50,056.97	(801.91)	(801.91)	801.91	801.91	-
2005	2004	40312000	4	Pine Strawberry Elementary District	72,486.76	(1,372.25)	(1,372.25)	-	-	-
2006	2005	40312000	4	Pine Strawberry Elementary District	73,453.89	(1,328.78)	(1,328.78)	-	-	-
2008	2007	40312000	4	Pine Strawberry Elementary District	96,582.68	(1,547.25)	(1,547.25)	-	-	-
2005	2004	20364000	2	Pomerene Elementary District	6,252.85	(118.37)	(118.37)	118.37	118.37	36.77
2006	2005	20364000	2	Pomerene Elementary District	6,518.49	(117.92)	(117.92)	117.92	117.92	36.97
2008	2007	20364000	2	Pomerene Elementary District	6,826.53	(109.36)	(109.36)	109.36	109.36	-
2005	2004	130201000	13	Prescott Unified District	1,950,496.40	(36,924.85)	(36,924.85)	36,924.85	-	5,606.69
2006	2005	130201000	13	Prescott Unified District	1,799,082.45	(32,545.40)	(32,545.40)	32,545.40	-	4,907.96
2008	2007	130201000	13	Prescott Unified District	2,026,744.24	(32,468.44)	(32,468.44)	32,468.44	-	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 11 of 20



State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	70295000	7	Queen Creek Unified District	340,371.75	(6,443.58)	(6,443.58)	6,443.58	6,443.58	1,659.02
2006	2005	70295000	7	Queen Creek Unified District	417,905.63	(7,559.91)	(7,559.91)	7,559.91	7,559.91	1,941.76
2008	2007	70295000	7	Queen Creek Unified District	528,335.75	(8,463.94)	(8,463.94)	8,463.94	8,463.94	-
2005	2004	110203000	11	Ray Unified District	76,408.80	(1,446.49)	(1,446.49)	1,446.49	1,446.49	349.70
2006	2005	110203000	11	Ray Unified District	73,807.76	(1,335.18)	(1,335.18)	1,335.18	1,335.18	321.94
2008	2007	110203000	11	Ray Unified District	92,828.69	(1,487.12)	(1,487.12)	1,487.12	1,487.12	-
2005	2004	110405000	11	Red Rock Elementary District	17,335.30	(328.17)	-	-	-	-
2006	2005	110405000	11	Red Rock Elementary District	16,534.24	(299.10)	-	-	-	-
2008	2007	110405000	11	Red Rock Elementary District	20,511.96	(328.60)	(328.60)	328.60	-	-
2005	2004	100344000	10	Redington Elementary District	312.15	(5.91)	(5.91)	5.91	5.91	1.44
2006	2005	100344000	10	Redington Elementary District	306.41	(5.54)	(5.54)	5.54	5.54	1.35
2008	2007	100344000	10	Redington Elementary District	336.17	(5.39)	(5.39)	5.39	5.39	-
2005	2004	70402000	7	Riverside Elementary District	220,936.65	(4,182.55)	-	-	-	-
2006	2005	70402000	7	Riverside Elementary District	172,914.06	(3,128.02)	-	-	-	-
2008	2007	70402000	7	Riverside Elementary District	198,699.71	(3,183.17)	-	-	-	-
2005	2004	70466000	7	Roosevelt Elementary District	1,346,425.59	(25,489.18)	-	25,489.18	-	3,281.34
2006	2005	70466000	7	Roosevelt Elementary District	1,453,081.13	(26,286.24)	-	26,286.24	-	3,375.81
2008	2007	70466000	7	Roosevelt Elementary District	1,676,372.71	(26,855.49)	-	26,855.49	-	-
2005	2004	110418000	11	Sacaton Elementary District	-	-	-	-	-	-
2006	2005	110418000	11	Sacaton Elementary District	-	-	-	-	-	-
2008	2007	110418000	11	Sacaton Elementary District	-	-	-	-	-	-
2005	2004	70290000	7	Saddle Mountain Unified School District	59,398.23	(1,124.47)	(1,124.47)	-	-	-
2006	2005	70290000	7	Saddle Mountain Unified School District	124,742.52	(2,256.59)	(2,256.59)	-	-	-
2008	2007	70290000	7	Saddle Mountain Unified School District	144,675.42	(2,317.70)	(2,317.70)	-	-	-
2005	2004	50201000	5	Safford Unified District	311,391.82	(6,237.49)	(6,237.49)	6,237.49	6,237.49	1,457.48
2006	2005	50201000	5	Safford Unified District	318,241.21	(6,107.05)	(6,107.05)	6,107.05	6,107.05	1,422.19
2008	2007	50201000	5	Safford Unified District	346,147.33	(5,926.04)	(5,926.04)	5,926.04	5,926.04	-
2005	2004	100230000	10	Sahuarita Unified District	112,253.12	(2,125.06)	(2,125.06)	2,125.06	2,125.06	519.09
2006	2005	100230000	10	Sahuarita Unified District	89,521.18	(1,619.44)	(1,619.44)	1,619.44	1,619.44	393.67
2008	2007	100230000	10	Sahuarita Unified District	155,094.28	(2,484.61)	(2,484.61)	2,484.61	2,484.61	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 12 of 20

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	40220000	4	San Carlos Unified District	-	-	-	-	-	-
2006	2005	40220000	4	San Carlos Unified District	-	-	-	-	-	-
2008	2007	40220000	4	San Carlos Unified District	-	-	-	-	-	-
2005	2004	20218000	2	San Simon Unified District	292.78	(5.54)	(5.54)	5.54	5.54	1.72
2006	2005	20218000	2	San Simon Unified District	305.23	(5.52)	(5.52)	5.52	5.52	1.73
2008	2007	20218000	2	San Simon Unified District	319.65	(5.12)	(5.12)	5.12	5.12	-
2005	2004	10218000	1	Sanders Unified District	-	-	-	-	-	-
2006	2005	10218000	1	Sanders Unified District	-	-	-	-	-	-
2008	2007	10218000	1	Sanders Unified District	-	-	-	-	-	-
2005	2004	120328000	12	Santa Cruz Elementary District	27,018.09	(511.48)	(511.48)	511.48	511.48	111.05
2006	2005	120328000	12	Santa Cruz Elementary District	26,748.61	(483.88)	(483.88)	483.88	483.88	122.94
2008	2007	120328000	12	Santa Cruz Elementary District	28,412.11	(455.16)	(455.16)	455.16	455.16	-
2005	2004	120235000	12	Santa Cruz Valley Unified District	379,179.07	(7,178.24)	(7,178.24)	7,178.24	7,178.24	1,558.52
2006	2005	120235000	12	Santa Cruz Valley Unified District	203,994.16	(3,690.25)	(3,690.25)	3,690.25	3,690.25	937.56
2008	2007	120235000	12	Santa Cruz Valley Unified District	273,024.87	(4,373.86)	(4,373.86)	4,373.86	4,373.86	-
2005	2004	70248000	7	Scottsdale Unified District	6,595,924.19	(132,122.96)	(132,122.96)	132,122.96	-	17,008.79
2006	2005	70248000	7	Scottsdale Unified District	6,890,793.67	(132,234.33)	(132,234.33)	132,234.33	-	16,982.19
2008	2007	70248000	7	Scottsdale Unified District	8,128,976.70	(139,168.08)	(139,168.08)	139,168.08	-	-
2005	2004	130209000	13	Sedona-Oak Creek JUSD #9	623,359.13	(12,486.51)	(12,486.51)	-	-	-
2006	2005	130209000	13	Sedona-Oak Creek JUSD #9	622,430.51	(11,944.44)	(11,944.44)	-	-	-
2008	2007	130209000	13	Sedona-Oak Creek JUSD #9	730,082.55	(12,499.01)	(12,499.01)	-	-	-
2005	2004	70371000	7	Sentinel Elementary District	27,861.86	(527.45)	(527.45)	527.45	-	67.90
2006	2005	70371000	7	Sentinel Elementary District	28,566.93	(516.78)	(516.78)	516.78	-	66.37
2008	2007	70371000	7	Sentinel Elementary District	17,226.36	(275.97)	(275.97)	275.97	-	-
2005	2004	20268000	2	Sierra Vista Unified District	1,023,304.64	(19,372.18)	-	19,372.18	-	3,008.69
2006	2005	20268000	2	Sierra Vista Unified District	1,081,540.76	(19,565.07)	-	19,565.07	-	3,066.62
2008	2007	20268000	2	Sierra Vista Unified District	1,111,264.75	(17,802.46)	-	17,802.46	-	-
2005	2004	20268000	2	Sierra Vista Unified District	175,267.54	-	(3,317.99)	-	3,317.99	515.32
2006	2005	20268000	2	Sierra Vista Unified District	161,814.31	-	(2,927.22)	-	2,927.22	458.81
2008	2007	20268000	2	Sierra Vista Unified District	106,334.82	-	(1,703.49)	-	1,703.49	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 13 of 20

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	130315000	13	Skull Valley Elementary District	8,981.61	(170.03)	(170.03)	170.03	-	25.82
2006	2005	130315000	13	Skull Valley Elementary District	9,192.13	(166.29)	(166.29)	166.29	-	25.08
2008	2007	130315000	13	Skull Valley Elementary District	10,668.40	(170.91)	(170.91)	170.91	-	-
2005	2004	90205000	9	Snowflake Unified District	207.44	(3.93)	(3.93)	3.93	3.93	1.06
2006	2005	90205000	9	Snowflake Unified District	-	-	-	-	-	-
2008	2007	90205000	9	Snowflake Unified District	194.87	(3.12)	(3.12)	3.12	3.12	-
2005	2004	50305000	5	Solomon Elementary District	14,549.84	(275.44)	(275.44)	275.44	275.44	64.36
2006	2005	50305000	5	Solomon Elementary District	12,799.12	(231.54)	(231.54)	231.54	231.54	53.92
2008	2007	50305000	5	Solomon Elementary District	13,043.45	(208.96)	(208.96)	208.96	208.96	-
2005	2004	140411000	14	Somerton Elementary District	179,534.63	(3,398.77)	-	3,398.77	-	408.36
2006	2005	140411000	14	Somerton Elementary District	123,397.28	(2,232.26)	-	2,232.26	-	363.63
2008	2007	140411000	14	Somerton Elementary District	172,685.43	(2,766.42)	-	2,766.42	-	-
2005	2004	120425000	12	Sonoita Elementary District	72,767.95	(1,377.57)	(1,377.57)	1,377.57	-	149.55
2006	2005	120425000	12	Sonoita Elementary District	75,711.27	(1,369.62)	-	1,369.62	-	173.99
2008	2007	120425000	12	Sonoita Elementary District	83,568.64	(1,338.77)	(1,338.77)	1,338.77	-	-
2005	2004	20221000	2	St David Unified District	49,032.47	(928.23)	(928.23)	928.23	928.23	288.33
2006	2005	20221000	2	St David Unified District	52,847.00	(956.00)	(956.00)	956.00	956.00	299.69
2008	2007	20221000	2	St David Unified District	54,927.76	(879.94)	(879.94)	879.94	879.94	-
2005	2004	110424000	11	Stanfield Elementary District	69,882.31	(1,322.94)	-	1,322.94	-	159.92
2006	2005	110424000	11	Stanfield Elementary District	67,413.75	(1,219.51)	-	1,219.51	-	147.03
2008	2007	110424000	11	Stanfield Elementary District	82,511.30	(1,321.83)	-	1,321.83	-	-
2005	2004	100212000	10	Sunnyside Unified District	1,024,972.33	(20,531.22)	(20,531.22)	20,531.22	20,531.22	5,015.15
2006	2005	100212000	10	Sunnyside Unified District	1,043,180.90	(20,018.64)	(20,018.64)	20,018.64	20,018.64	4,866.34
2008	2007	100212000	10	Sunnyside Unified District	1,958,737.45	(33,533.59)	(33,533.59)	33,533.59	33,533.59	-
2005	2004	110215000	11	Superior Unified School District	41,335.02	(782.51)	(782.51)	782.51	782.51	189.18
2006	2005	110215000	11	Superior Unified School District	40,494.68	(732.55)	(732.55)	732.55	732.55	176.64
2008	2007	110215000	11	Superior Unified School District	48,386.63	(775.15)	(775.15)	775.15	775.15	-
2005	2004	100213000	10	Tanque Verde Unified District	218,754.04	(4,381.86)	(4,381.86)	4,381.86	4,381.86	1,070.35
2006	2005	100213000	10	Tanque Verde Unified District	223,040.08	(4,280.14)	(4,280.14)	4,280.14	4,280.14	1,040.46
2008	2007	100213000	10	Tanque Verde Unified District	349,190.00	(5,978.13)	(5,978.13)	5,978.13	-	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 14 of 20



State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	70403000	7	Tempe School District	5,595,376.86	(105,926.08)	-	105,926.08	-	13,636.34
2006	2005	70403000	7	Tempe School District	5,795,434.18	(104,839.40)	-	104,839.40	-	13,464.00
2008	2007	70403000	7	Tempe School District	6,799,467.28	(108,927.47)	-	108,927.47	-	-
2005	2004	50204000	5	Thatcher Unified District	47,577.84	(900.70)	(900.70)	900.70	900.70	210.46
2006	2005	50204000	5	Thatcher Unified District	47,037.68	(850.91)	(850.91)	850.91	850.91	198.16
2008	2007	50204000	5	Thatcher Unified District	49,972.20	(800.55)	(800.55)	800.55	800.55	-
2005	2004	70417000	7	Tolleson Elementary District	391,028.81	(7,832.70)	-	7,832.70	-	1,008.34
2006	2005	70417000	7	Tolleson Elementary District	420,626.82	(8,071.83)	-	8,071.83	-	1,036.62
2008	2007	70417000	7	Tolleson Elementary District	519,933.26	(8,901.26)	-	8,901.26	-	-
2005	2004	110422000	11	Toltec Elementary District	117,662.88	(2,227.48)	-	2,227.48	-	269.26
2006	2005	110422000	11	Toltec Elementary District	111,794.85	(2,022.37)	-	2,022.37	-	243.82
2008	2007	110422000	11	Toltec Elementary District	135,840.05	(2,176.16)	-	2,176.16	-	-
2005	2004	20201000	2	Tombstone Unified District	123,885.94	(2,345.28)	(2,345.28)	2,345.28	2,345.28	728.49
2006	2005	20201000	2	Tombstone Unified District	126,919.56	(2,295.97)	(2,295.97)	2,295.97	2,295.97	719.74
2008	2007	20201000	2	Tombstone Unified District	131,818.00	(2,111.72)	(2,111.72)	2,111.72	2,111.72	-
2005	2004	40333000	4	Tonto Basin Elementary District	35,115.17	(664.77)	(664.77)	664.77	-	87.13
2006	2005	40333000	4	Tonto Basin Elementary District	34,920.65	(631.71)	(631.71)	631.71	-	82.55
2008	2007	40333000	4	Tonto Basin Elementary District	39,659.89	(635.35)	(635.35)	635.35	635.35	-
2005	2004	30215000	3	Tuba City Unified District	-	-	-	-	-	-
2006	2005	30215000	3	Tuba City Unified District	-	-	-	-	-	-
2008	2007	30215000	3	Tuba City Unified District	-	-	-	-	-	-
2005	2004	100201000	10	Tucson Unified District	7,861,641.95	(148,828.74)	(148,828.74)	148,828.74	148,828.74	36,354.30
2006	2005	100201000	10	Tucson Unified District	7,982,689.59	(144,406.85)	(144,406.85)	144,406.85	144,406.85	35,103.95
2008	2007	100201000	10	Tucson Unified District	11,005,986.03	(176,315.90)	(176,315.90)	176,315.90	176,315.90	-
2005	2004	70462000	7	Union Elementary District	12,557.18	(237.72)	-	237.72	-	30.60
2006	2005	70462000	7	Union Elementary District	16,054.48	(290.43)	-	290.43	-	37.30
2008	2007	70462000	7	Union Elementary District	18,598.89	(297.95)	-	297.95	-	-
2005	2004	100220000	10	Vail Unified District	411,693.00	(7,793.76)	(7,793.76)	7,793.76	7,793.76	1,903.78
2006	2005	100220000	10	Vail Unified District	453,150.20	(8,197.49)	(8,197.49)	8,197.49	8,197.49	1,992.73
2008	2007	100220000	10	Vail Unified District	787,619.90	(12,617.67)	(12,617.67)	12,617.67	12,617.67	-

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	130307000	13	Walnut Grove Elementary District	-	-	-	-	-	-
2006	2005	130307000	13	Walnut Grove Elementary District	-	-	-	-	-	-
2008	2007	130307000	13	Walnut Grove Elementary District	-	-	-	-	-	-
2005	2004	70406000	7	Washington Elementary School District	5,620,501.79	(106,401.72)	-	106,401.72	-	13,697.57
2006	2005	70406000	7	Washington Elementary School District	6,118,781.80	(110,688.76)	-	110,688.76	-	14,215.20
2008	2007	70406000	7	Washington Elementary School District	6,576,733.83	(105,359.28)	-	105,359.28	-	-
2005	2004	140424000	14	Wellton Elementary District	99,082.63	(1,875.73)	(1,875.73)	1,875.73	-	225.37
2006	2005	140424000	14	Wellton Elementary District	71,898.77	(1,300.65)	-	1,300.65	-	211.88
2008	2007	140424000	14	Wellton Elementary District	104,382.06	(1,672.20)	-	1,672.20	-	-
2005	2004	150419000	15	Wenden Elementary District	19,423.63	(367.71)	-	367.71	-	88.57
2006	2005	150419000	15	Wenden Elementary District	15,592.92	(282.08)	-	282.08	-	67.96
2008	2007	150419000	15	Wenden Elementary District	22,474.82	(360.05)	-	360.05	-	-
2005	2004	70209000	7	Wickenburg Unified District	153,784.30	(2,911.29)	(2,911.29)	2,911.29	2,911.29	749.57
2006	2005	70209000	7	Wickenburg Unified District	158,623.62	(2,869.50)	(2,869.50)	2,869.50	2,869.50	737.03
2008	2007	70209000	7	Wickenburg Unified District	186,013.83	(2,979.94)	(2,979.94)	2,979.94	2,979.94	-
2005	2004	20213000	2	Willcox Unified District	160,041.13	(3,029.74)	(3,029.74)	3,029.74	3,029.74	941.10
2006	2005	20213000	2	Willcox Unified District	167,630.07	(3,032.43)	(3,032.43)	3,032.43	3,032.43	950.60
2008	2007	20213000	2	Willcox Unified District	169,792.94	(2,720.08)	(2,720.08)	2,720.08	2,720.08	-
2005	2004	30202000	3	Williams Unified District	215,856.48	(4,086.38)	(4,086.38)	4,086.38	-	562.76
2006	2005	30202000	3	Williams Unified District	216,527.69	(3,916.99)	(3,916.99)	3,916.99	-	538.25
2008	2007	30202000	3	Williams Unified District	253,368.30	(4,058.96)	(4,058.96)	4,058.96	4,058.96	-
2005	2004	130302000	13	Williamson Valley Elementary School District	2,557.59	(48.42)	(48.42)	-	-	-
2006	2005	130302000	13	Williamson Valley Elementary School District	2,617.15	(47.34)	(47.34)	-	-	-
2008	2007	130302000	13	Williamson Valley Elementary School District	3,035.54	(48.63)	(48.63)	-	-	-
2005	2004	70407000	7	Wilson Elementary District	1,513,333.70	(28,648.92)	-	28,648.92	-	3,688.10
2006	2005	70407000	7	Wilson Elementary District	1,586,383.30	(28,697.67)	-	28,697.67	-	3,685.50
2008	2007	70407000	7	Wilson Elementary District	1,820,499.54	(29,164.40)	-	29,164.40	-	-
2005	2004	90201000	9	Winslow Unified District	239,276.23	(4,529.74)	(4,529.74)	4,529.74	4,529.74	1,220.64
2006	2005	90201000	9	Winslow Unified District	228,556.21	(4,134.58)	(4,134.58)	4,134.58	4,134.58	1,188.07
2008	2007	90201000	9	Winslow Unified District	636,933.98	(10,203.68)	(10,203.68)	10,203.68	10,203.68	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 16 of 20

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2005	2004	130352000	13	Yarnell Elementary District	56,136.15	(1,062.71)	(1,062.71)	1,062.71	-	161.36
2006	2005	130352000	13	Yarnell Elementary District	60,818.59	(1,100.21)	(1,100.21)	1,100.21	-	165.92
2008	2007	130352000	13	Yarnell Elementary District	70,225.01	(1,125.00)	(1,125.00)	1,125.00	-	-
2005	2004	40305000	4	Young Elementary District	2,881.09	(54.54)	(54.54)	-	-	-
2006	2005	40305000	4	Young Elementary District	2,929.34	(52.99)	(52.99)	-	-	-
2008	2007	40305000	4	Young Elementary District	3,680.36	(58.96)	(58.96)	58.96	-	-
2005	2004	140401000	14	Yuma Elementary District	1,823,776.35	(34,525.91)	-	34,525.91	-	4,148.28
2006	2005	140401000	14	Yuma Elementary District	1,234,015.36	(22,323.34)	-	22,323.34	-	3,636.46
2008	2007	140401000	14	Yuma Elementary District	1,984,866.33	(31,797.56)	-	31,797.56	-	-
2005	2004	20801000	2	Cochise Technology District	777,847.35	-	(388.92)	-	388.92	60.40
2005	2004	30801000	3	Coconino Association for Vocation Industry and	3,612,901.61	-	(1,806.45)	-	1,806.45	248.78
2005	2004	50802000	5	Gila Institute for Technology	421,796.14	-	(210.90)	-	210.90	24.64
2005	2004	70801000	7	East Valley Institute of Technology	30,446,700.77	-	(15,223.35)	-	15,223.35	1,959.77
2005	2004	70802000	7	West-MEC - Western Maricopa Education Cen	19,066,958.00	-	(9,533.48)	-	9,533.48	1,227.29
2005	2004	90835000	9	Northern Arizona Vocational Institute of Techni	696,410.63	-	(348.21)	-	348.21	46.92
2005	2004	90836000	9	Northeast Arizona Technological Institute of Vc	-	-	-	-	-	-
2005	2004	100811000	10	Pima County JTED	12,686,078.34	-	-	-	-	-
2005	2004	110801000	11	Central Arizona Valley Institute of Technology	1,658,471.14	-	(829.24)	-	829.24	100.24
2005	2004	110802000	11	Cobre Valley Institute of Technology District	182,027.96	-	(91.01)	-	91.01	11.00
2005	2004	130801000	13	Valley Academy for Career and Technology Ea	2,891,602.78	-	(1,445.80)	-	1,445.80	219.53
2006	2005	20801000	2	Cochise Technology District	817,163.44	-	(408.58)	-	408.58	64.04
2006	2005	30801000	3	Coconino Association for Vocation Industry and	3,606,518.03	-	(1,803.26)	-	1,803.26	247.79
2006	2005	50802000	5	Gila Institute for Technology	436,028.14	-	(218.01)	-	218.01	25.38
2006	2005	70801000	7	East Valley Institute of Technology	31,527,887.26	-	(15,763.94)	-	15,763.94	2,024.48
2006	2005	70802000	7	West-MEC - Western Maricopa Education Cen	19,848,051.11	-	(9,924.03)	-	9,924.03	1,274.49
2006	2005	90835000	9	Northern Arizona Vocational Institute of Techni	700,430.93	-	(350.22)	-	350.22	50.32
2006	2005	90836000	9	Northeast Arizona Technological Institute of Vc	-	-	-	-	-	-
2006	2005	100811000	10	Pima County JTED	13,548,605.07	-	-	-	-	-
2006	2005	110801000	11	Central Arizona Valley Institute of Technology	1,688,513.67	-	(844.26)	-	844.26	101.79

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls  
Summary 1

7/23/2008

Page 17 of 20



State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2006	2005	110802000	11	Cobre Valley Institute of Technology District	184,712.02	-	(92.36)	-	92.36	11.14
2006	2005	130801000	13	Valley Academy for Career and Technology Ec	2,949,731.65	-	(1,474.87)	-	1,474.87	222.42
2008	2007	20801000	2	Cochise Technology District	832,381.96	-	(416.19)	-	416.19	-
2008	2007	30801000	3	Coconino Association for Vocation Industry and	4,345,715.31	-	(2,172.86)	-	2,172.86	-
2008	2007	50802000	5	Gila Institute for Technology	463,019.33	-	(231.51)	-	231.51	-
2008	2007	70801000	7	East Valley Institute of Technology	37,041,771.33	-	(18,520.89)	-	18,520.89	-
2008	2007	70802000	7	West-MEC - Western Maricopa Education Cen	22,997,518.67	-	(11,498.76)	-	11,498.76	-
2008	2007	90835000	9	Northern Arizona Vocational Institute of Techno	1,196,717.01	-	(598.36)	-	598.36	-
2008	2007	90836000	9	Northeast Arizona Technological Institute of Vc	-	-	-	-	-	-
2008	2007	100811000	10	Pima County JTED	20,529,535.71	-	(10,264.77)	-	10,264.77	-
2008	2007	110801000	11	Central Arizona Valley Institute of Technology	2,019,103.43	-	(1,009.55)	-	1,009.55	-
2008	2007	110802000	11	Cobre Valley Institute of Technology District	232,336.27	-	(116.17)	-	116.17	-
2008	2007	130801000	13	Valley Academy for Career and Technology Ec	3,431,933.20	-	(1,715.97)	-	1,715.97	-
2005	2004	70516000	7	Agua Fria Union High School District	1,142,456.22	-	(22,884.54)	-	22,884.54	2,946.03
2006	2005	70516000	7	Agua Fria Union High School District	1,299,785.40	-	(24,942.88)	-	24,942.88	3,203.29
2008	2007	70516000	7	Agua Fria Union High School District	1,540,099.28	-	(26,366.50)	-	26,366.50	-
2005	2004	140550000	14	Antelope Union High School District	157,019.02	-	(2,972.53)	-	2,972.53	357.15
2006	2005	140550000	14	Antelope Union High School District	110,283.44	-	(1,995.03)	-	1,995.03	324.99
2008	2007	140550000	14	Antelope Union High School District	160,654.57	-	(2,573.69)	-	2,573.69	-
2005	2004	150576000	15	Bicentennial Union High School District	19,423.55	-	(367.71)	-	-	-
2006	2005	150576000	15	Bicentennial Union High School District	15,593.38	-	(282.08)	-	-	-
2008	2007	150576000	15	Bicentennial Union High School District	22,475.46	(360.06)	(360.06)	-	-	-
2005	2004	70501000	7	Buckeye Union High School District	476,696.53	-	(9,024.34)	-	9,024.34	1,161.74
2006	2005	70501000	7	Buckeye Union High School District	638,244.30	-	(11,545.84)	-	11,545.84	1,482.77
2008	2007	70501000	7	Buckeye Union High School District	689,812.09	-	(11,050.79)	-	11,050.79	-
2005	2004	110502000	11	Casa Grande Union High School District	1,018,884.07	-	(19,288.49)	-	19,288.49	2,331.58
2006	2005	110502000	11	Casa Grande Union High School District	975,013.10	-	(17,637.99)	-	17,637.99	2,126.47
2008	2007	110502000	11	Casa Grande Union High School District	1,147,204.30	-	(18,378.21)	-	18,378.21	-
2005	2004	80502000	8	Colorado River Union High School District	-	-	-	-	-	-

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls

Summary 1

7/23/2008

Page 18 of 20

State Aid Correction  
QWEST Lawsuit  
A.R.S. §15-915(B)

FY	TY	Calculated CTDS	County	District	PAV Change	El Levy Adj	HS Levy Adj	El State Aid Adjustment	HS State Aid Adjustment	Apportioned Correction to County Equalization
2006	2005	80502000	8	Colorado River Union High School District	-	-	-	-	-	-
2008	2007	80502000	8	Colorado River Union High School District	-	-	-	-	-	-
2005	2004	70505000	7	Glendale Union High School District	7,246,956.81	-	(137,192.14)	-	137,192.14	17,661.36
2006	2005	70505000	7	Glendale Union High School District	7,358,085.06	-	(133,107.76)	-	133,107.76	17,094.36
2008	2007	70505000	7	Glendale Union High School District	8,554,681.17	-	(137,045.99)	-	137,045.99	-
2005	2004	130504000	13	Mingus Union High School District	1,008,913.17	-	(19,099.74)	-	19,099.74	2,900.11
2006	2005	130504000	13	Mingus Union High School District	1,031,515.34	-	(18,660.11)	-	18,660.11	2,814.01
2008	2007	130504000	13	Mingus Union High School District	1,195,707.81	-	(19,155.24)	-	19,155.24	-
2005	2004	120520000	12	Patagonia Union High School District	140,945.20	-	(2,823.27)	-	2,823.27	306.49
2006	2005	120520000	12	Patagonia Union High School District	145,893.74	-	(2,799.70)	-	2,799.70	355.65
2008	2007	120520000	12	Patagonia Union High School District	159,887.58	-	(2,737.28)	-	2,737.28	-
2005	2004	70510000	7	Phoenix Union High School District	21,823,766.48	-	(413,145.72)	-	413,145.72	53,186.12
2006	2005	70510000	7	Phoenix Union High School District	22,739,502.94	-	(411,357.61)	-	411,357.61	52,828.60
2008	2007	70510000	7	Phoenix Union High School District	25,983,765.64	-	(416,259.93)	-	416,259.93	-
2005	2004	110540000	11	Santa Cruz Valley Union High School District	136,110.37	-	(2,726.43)	-	2,726.43	329.57
2006	2005	110540000	11	Santa Cruz Valley Union High School District	141,044.58	-	(2,706.65)	-	2,706.65	326.32
2008	2007	110540000	11	Santa Cruz Valley Union High School District	162,983.30	-	(2,790.27)	-	2,790.27	-
2005	2004	70513000	7	Tempe Union High School District	9,473,552.97	-	(179,343.83)	-	179,343.83	23,087.74
2006	2005	70513000	7	Tempe Union High School District	9,817,859.81	-	(177,605.08)	-	177,605.08	22,808.93
2008	2007	70513000	7	Tempe Union High School District	11,419,671.81	-	(182,943.14)	-	182,943.14	-
2005	2004	70514000	7	Tolleson Union High School District	1,306,258.76	-	(24,728.78)	-	24,728.78	3,183.45
2006	2005	70514000	7	Tolleson Union High School District	1,382,283.63	-	(25,005.51)	-	25,005.51	3,211.33
2008	2007	70514000	7	Tolleson Union High School District	1,640,516.86	-	(26,281.08)	-	26,281.08	-
2005	2004	20522000	2	Valley Union High School District	1.33	-	(0.03)	-	0.03	-
2006	2005	20522000	2	Valley Union High School District	1.21	-	(0.02)	-	0.02	-
2008	2007	20522000	2	Valley Union High School District	0.85	-	(0.01)	-	0.01	-
2005	2004	140570000	14	Yuma Union High School District	2,248,490.04	-	(42,566.16)	-	42,566.16	5,114.31
2006	2005	140570000	14	Yuma Union High School District	1,607,200.28	-	(29,074.25)	-	29,074.25	4,736.18
2008	2007	140570000	14	Yuma Union High School District	2,415,583.88	-	(38,697.65)	-	38,697.65	-



[illegible]

H:\QwestLawsuit\Qwest Settlement Values by School Districts 2008-07-16.xls  
Summary 1 7/23/2008

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/ilbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

DATE: August 11, 2008

TO: Senator Bob Burns, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Steve Schimpp, Deputy Director

SUBJECT: Department of Education – Review Providing Funding to Displaced  
Pupils Choice Grants Program and Arizona Scholarship for Pupils with Disabilities  
Program under A.R.S. §15-901.03.

**Request**

The Chairman is requesting the Committee's consideration to transfer up to \$5 million from the Arizona Department of Education's FY 2009 Basic State Aid appropriation to the Displaced Pupil Choice Grants program and the Arizona Scholarship for Pupils with Disabilities Program. Each program would receive up to \$2.5 million each. Any transfers from the Basic State Aid appropriation would require Committee review pursuant to A.R.S. §15-901.03.

**Summary**

The Committee has at least the following options regarding the proposed transfer:

1. A favorable review.
2. An unfavorable review.

**Analysis**

The Displaced Pupils Choice Grants Program (A.R.S. §15-817.01) and Arizona Scholarships for Pupils with Disabilities Program (A.R.S. §15-891) received General Fund appropriations of \$2.5 million apiece in both FY 2007 (their first year of operation) and FY 2008. Neither program, however, received an appropriation for FY 2009

**General Background**

The Displaced Pupils Choice Grants Program was established by Laws 2006, Chapter 358. It provided grants to help pay for private school tuition and fees for pupils who had been placed in foster care at any

(Continued)

time before they graduated from high school or obtained a General Equivalency Diploma. A total of 189 foster care youth received scholarships from the program in FY 2008. The maximum scholarship amount permitted in statute (A.R.S. §15-817.04) is \$5,000 or the total amount of tuition and fees charged by the grant school, whichever is less. ADE indicates that no program monies were spent in FY 2007 and that \$753,400 was spent in FY 2008. Unspent monies for those 2 years reverted to the state General Fund at the end of FY 2008 (the FY 2007 monies were non-lapsing until June 30, 2008).

The Arizona Scholarships for Pupils with Disabilities Program was established by Laws 2006, Chapter 340 and provided pupils with disabilities with the option of attending any public school of the pupil's choice or receiving a scholarship to any qualified private school of the pupil's choice. Only pupils who spent the prior year in attendance at an Arizona public school or who are continuing in the program are eligible for scholarships under it. A total of 186 pupils received scholarships from the program in FY 2008. The maximum scholarship amount permitted in statute (A.R.S. §15-891.04) equals the amount of Base Support Level funding that the student otherwise would generate under Basic State Aid formula, which varies from roughly \$5,000 to \$25,000 per pupil depending on their disability. ADE spent \$240,200 on the program in FY 2007 and \$1,516,300 in FY 2008. Unspent monies for those 2 years likewise reverted to the state General Fund at the end of FY 2008.

#### Related Court Decisions

Both programs have been subject to a lawsuit that contends that they provide public monies to private and religious schools in violation of the state Constitution. In this regard, a Maricopa County Superior Court judge ruled in June 2007 that the programs were constitutional. The Arizona Court of Appeals overturned this decision in May 2008, but the Arizona Supreme Court subsequently ruled in late June 2008 that the programs could continue through the 2008-2009 school year pending final resolution.

#### Fiscal Implications

The Basic State Aid program reverted more monies than expected for FY 2008, which suggests that the program may experience lower than budgeted costs for FY 2009 as well. If so, the proposed transfer potentially could be done without causing a Basic State Aid shortfall for the year. Actual Basic State Aid costs for FY 2009, however, will depend on a number of other factors for which data are not currently available.

#### Legal Issues

The transfer may involve two potential legal issues. If the Committee favorably reviews the transfer, a determination will have to be made as to whether this transaction also requires Arizona Department of Administration approval. In addition, the Choice Grants and the Pupils with Disabilities Scholarships are both currently authorized in permanent law, but the General Appropriations Act does not contain line items for these 2 programs. Given the requirements in A.R.S. §15-901.03, Committee consideration of the transfer is intended to expedite the review process, pending resolution of the legal issues.

RS/SSC:ck

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

DATE: August 5, 2008

TO: Senator Bob Burns, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jay Chilton, Fiscal Analyst

SUBJECT: Department of Education – Review of Expenditure Plan for Incentive Funding from the Workforce Investment Act

**Request**

A footnote in the FY 2008 General Appropriation Act allows the expenditure of federal Workforce Investment Act (WIA) monies in excess of the appropriated amount with Committee review. Accordingly, the Arizona Department of Education (ADE), in cooperation with the Department of Economic Security (DES), is submitting an FY 2009 expenditure plan for \$1,112,979 of WIA incentive funds received by the state. Unlike most Federal Funds, WIA monies are subject to legislative appropriation under federal requirements.

**Recommendations**

The JLBC Staff recommends that the Committee give a favorable review of the expenditure plan. The plan is a continuation of the plan implemented in FY 2007 and FY 2008. It seeks to increase the number of qualified healthcare and other high demand industry occupation workers. The amount of funding available is less than the amount available in FY 2008. The expenditure plan seems reasonable and reflects a collaboration of the parties earning the incentive funds. The JLBC Staff also recommends that performance measures continue to be reported in the statewide workforce development annual report required by A.R.S. § 41-1542.

**Analysis**

The ADE will be the state's grant recipient for federal WIA funds from the U.S. Department of Labor. In the past 2 years, DES has acted as the grant recipient. The funds are administered jointly by DES and ADE. Each year the state receives a portion of the federal WIA grant for workforce development in the state. In Federal Fiscal Year (FFY) 2005, the state met the performance requirements to be eligible for incentive funds above the normal grant for the first time. DES received and expended \$709,618 in incentive funds in state FY 2007. In FFY 2006, the state again met the performance requirements to be

(Continued)

eligible for incentive funds, and received \$1,478,972 in state FY 2008. In FFY 2007, the state met the performance requirements to be eligible for incentive funds for a third straight year, and Arizona will receive \$1,112,979 to be expended in state FY 2009. A footnote in the FY 2009 General Appropriation Act allows monies above the appropriated amount to be expended with prior Committee review.

The funds must be used to provide services authorized by the Workforce Investment Act, the Carl Perkins Education Act, or the Higher Education Act. DES, the Governor's Council on Workforce Policy (GCWP), and ADE developed a plan to use these monies to improve workforce development and training activities in healthcare-related and other high demand industry fields. The new monies to be received in FY 2009 will be used to continue and expand the program begun with the monies received in FY 2007 and FY 2008. The grant is to be split evenly between Adult Education Services (AES), Career and Technical Education (CTE), and DES/Local Workforce Investment Areas (LWIAs).

ADE's Adult Education Services serves individuals needing Adult Basic or Secondary Education or English Language Acquisition for Adults by providing courses in cooperation with local One-Stop centers to provide essential skills for individuals wanting to enter a healthcare or other high demand industry profession. AES also provides referrals to Career and Technical Education and WIA programs for additional services. The expenditure plan includes \$370,993 for AES.

ADE's Career and Technical Education Program serves secondary and post-secondary students by identifying major occupation needs in healthcare or other high demand industry careers in Arizona, as well as specific skills and requirements of healthcare and other high demand industry employers. CTE will also provide assessments to identify job seekers with the necessary skills or potential for a healthcare or other high demand industry career. Exiting students will be referred to further education toward higher degrees and certificates and other training needed for healthcare or other high demand industry professions. CTE will also provide coordination of the stakeholder group for the project. The expenditure plan includes \$370,993 for CTE.

LWIAs and the local One-Stop Centers serve low-income individuals in need of employment assistance. They provide the initial identification and assessment of individual candidates, including WIA eligibility, and mentoring and career preparation training specific to healthcare or other high demand industries. The One-Stops also refer job-seekers to AES and CTE or other WIA partners for additional courses, assessments, counseling, training, and job search services. The expenditure plan includes \$370,993 for the LWIAs.

The plan for FY 2008 identifies the following 3 performance goals:

- Assist WIA partners in improving performance levels in youth numeracy and literacy gains, youth/adult/dislocated worker credential attainments, and entered employment and retention rates.
- Assist AES partners in increasing the number of participants who enter, retain, and/or improve employment or placement into post-secondary education or other training.
- Assist CTE partners in increasing the percentage of client access to industry-based assessments, participants meeting industry standards, and individuals entering employment in the allied and healthcare occupations and other high demand occupations in Arizona.

These performance goals are similar to those outlined by the 3 partner agencies in the previous 2 years. As requested by the Committee, FY 2007 performance measures were reported in the annual statewide workforce development annual report required by A.R.S. § 41-1542, which was published in October

(Continued)

2007. This was the first time these measures were reported; and FY 2008 measures are expected in October 2008, which will be able to be compared to the previous year's measures to assess improvement. DES and ADE do not discuss how the decrease in funding from FY 2008 to FY 2009 may affect performance. The JLBC Staff recommends that the performance measures contained in the expenditure plan again be included in the statewide workforce development report.

RS/JCh:ss



State of Arizona  
Department of Education

Tom Horne  
Superintendent of  
Public Instruction

June 5, 2008

Senator Robert Burns  
Chairman Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, Arizona 85007



Dear Senator Burns:

The Arizona Department of Education (ADE) is pleased to inform the Joint Legislative Budget Committee (JLBC) that the United States Department of Labor recently announced that Arizona has achieved the necessary qualifications to be eligible for Workforce Investment Act (WIA) incentive funds for the third straight year. Arizona was one of nine incentive eligible states this year. In order to be eligible for these funds, we had to exceed performance measures for the WIA programs, the Adult Education and Family Literacy (AEFLA) program, and the Carl D. Perkins Vocational and Technical Education Act program.

For program year 2006, the state achieved the required performance on all measures to be eligible for an incentive award in all three programs. Arizona has received preliminary information which indicates that, upon completion and submission of the required application, the state will receive \$1,112,979 in incentive funds.

The incentive funds must be used to provide services authorized by the WIA, AEFLA, or the Carl D. Perkins Vocational and Technical Education Act. The Department of Education, Department of Economic Security, and the Governor's Council on Workforce Policy, along with local stakeholders, have collaboratively developed a plan to expend the incentive funds on health care and other high demand industry education programs to improve the state's workforce development and training activities that address the needs of these high demand industries.

Law 2006, Chapter 344, Section 10 provides for JLBC review of WIA discretionary funds:

All Federal workforce investment act discretionary funds that are received by the state in excess of \$3,614,000 are appropriated to the Workforce Investment Act – Discretionary Special Line Item. Excess monies may not be spent until a proposed expenditure plan for the excess monies has been reviewed by the Joint Legislative Budget Committee.

The Department of Education requests to be placed on the JLBC's agenda for review of this spending plan. If you have any questions, please contact Jerald Goode, ADE/Adult Education Services Fiscal Service Officer, at (602) 364-2667

Sincerely,

Tom Horne  
Superintendent of Public Instruction

Cc: Representative Russell K. Pearce, Vice Chairman, Joint Legislative Budget Committee

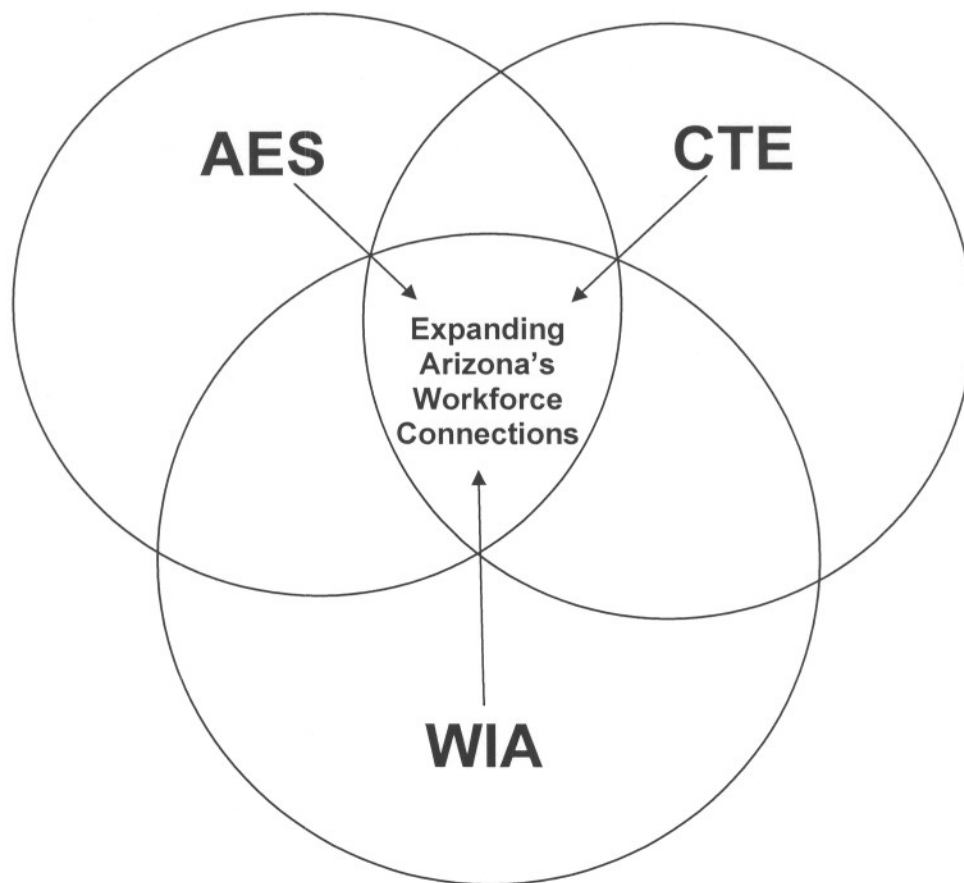
Tracy Wareing, Director, Arizona Department of Economic Security

Lisa Lovallo, Chairperson, Governor's Council on Workforce Policy

Richard Stavneak, Director, Joint Legislative Budget Committee

James Apperson, Director, Governor's Office of Strategic Planning and Budgeting

# Expanding Arizona's Workforce Connections



## A Collaborative Project Between Partners

Adult Education  
Arizona Department of Education  
and  
Career and Technical Education  
Arizona Department of Education  
and  
Arizona Department of Economic Security



## **Expanding Arizona's Workforce Connections**

### **Introduction:**

For the past two years Arizona has used their incentive dollars to address our critical need for health care workers. The Arizona Workforce Connection System (AWC), continues to work together to address the social and economic challenges that persist in our state. This year, the AWC needs to continue addressing our healthcare shortage. We also need to apply what we have learned from working together on the healthcare worker shortage and expand our efforts into addressing other high demand industry workforce training deficits.

Workers need both job specific and literacy skills to be successful. Literacy skills are foundational to all other workforce preparation. We will continue to build on our past Allied Health project success and to apply what we have learned to meet the demands of Arizona business and industry for individuals with literacy skills, employability, and technical skills. We will continue to offer a means for individuals to document and expand the skills they possess related to health care and other targeted industries in Arizona.

### **Planned Use of Incentive Funds:**

PY 06 Incentive Funds will provide AWC an opportunity to enhance the coordination of adult basic skills education, career and technical education, and workforce development services. We will generate referrals among AWC partners. The partner programs that exceeded program goals to earn these incentive funds, Adult Education Services (AES), Career and Technical Education (CTE), and the Workforce Investment Act (WIA), will deliver an integrated health care and targeted industry initiative that crosses program boundaries in both urban and rural settings, to address this critical shortage of qualified health care and targeted high demand occupations.

This project incorporates priority service delivery for individuals who will become entry-level workers, who may need Basic English literacy skills, TANF recipients, single parents, out of school youth, the formerly incarcerated, and secondary and postsecondary CTE students. It will provide health care and high demand industry specific education and employment opportunities through expanded involvement in occupational education programs at secondary and post-secondary institutions. Individuals will also have the opportunity to assess the industry employability and technical skills attained and to be awarded certificates of completion.

Clients/students will continue to enter through any partner door – truly a “no wrong door” approach. Each partner will be responsible for providing services and referring to other partners for services, depending on each individual's needs.

### Identification of Agencies and Operational Authority:

Tom Horne, Arizona Superintendent of Public Instruction, will serve as contact person for this grant. The Arizona Department of Education (ADE) will receive and administer the funds (\$1,112,979) on behalf of all state agencies.

Sub-grantees will include:

- 1) Arizona Department of Education (ADE)
  - a. Adult Education Services \$370,993
  - b. Career and Technical Education \$370,993
- 2) DES/Local Workforce Investment Areas (LWIAs) \$370,993

The participating partners and planned activities are:

Partner / Authority	Serving	Activities
<b>Adult Education Services (AES)</b>  AEFLA	Individuals needing Basic Education / Adult English language learners who are 16 years or older and out of school.	<ol style="list-style-type: none"><li>1) Referrals to:<ul style="list-style-type: none"><li>• CTE for post-secondary medical skills and local high demand industry training</li><li>• WIA for training, mentoring, job shadowing, work experience, and/or job search services</li></ul></li><li>2) Cohort based ABE, and ASE and ELAA courses in cooperation or co-location with One-Stops</li></ol>
<b>Career &amp; Technical Education (CTE)</b>  Carl Perkins Act	Secondary and postsecondary students	<ol style="list-style-type: none"><li>1) Identification of major occupational needs and employer established performance criteria in allied health and local high demand industry careers in Arizona</li><li>2) Identification of secondary and postsecondary schools providing career and occupational programs across Arizona</li><li>3) Establish assessments for occupational areas as needed statewide and in local areas.</li><li>4) Web-based delivery of assessments for targeted populations across Arizona</li><li>5) Occupational skills promotion in health care and other targeted industry areas.</li><li>6) Creation of a stakeholder group from industry, education providers and AWC partners to provide input related to the assessment system</li></ol>
<b>Local Workforce Investment Areas and Local One-Stops</b>  WIA Title I	Low income, entry-level workers, basic skills deficient, TANF recipients, single parents, out of school youth, and/or the formerly incarcerated.	<ol style="list-style-type: none"><li>1) Referrals to:<ul style="list-style-type: none"><li>• ABE, ASE and ELAA courses</li><li>• CTE for assessments</li><li>• Secondary and post-secondary programs for Allied Health and high demand industry training</li><li>• Medical facilities and local employers for on-site job shadowing, mentoring, etc.</li><li>• Wagner-Peyser for job search and placements</li></ul></li><li>2) Initial identification and assessment of individual</li></ol>



Arizona's project is **targeted** because it provides:

- On-site, job specific introductions to health and high demand industry careers with local practitioners and providers.
- A requirement that local regions focus the use of these funds on health care and/or other high demand industries.
- Funding to provide the opportunity for youth to participate in WIA and CTE activities.
- WIA, Adult Education, and CTE the means to address critical regional labor shortages as identified by local workforce development professionals. Industries will have access to individuals with qualifications or certifications in areas of the state where they are determined to be most necessary and needed.

### **Project Alignment with Agency Plans:**

A major goal in Arizona's current AEFLA plan is to maximize the opportunities for Adult Education programs to provide continually improving Adult Education Services. The project activities we are proposing are designed to increase student retention in training beyond their receipt of the GED. We will increase the number of participants who enter or improve employment and document the basic skill gains required for post-secondary training in high demand industry occupations.

A major goal in Arizona's current Carl D. Perkins State Plan is to improve the academic and technical skills of students participating in Career and Technical Education programs. The project activities that we are proposing are designed to allow us to expand and focus our development of an assessment system that addresses technical and employability skills. CTE will identify and create, where needed, appropriate targeted industry-validated assessments for secondary and postsecondary occupational student populations.

A major goal in Arizona's current WIA State Plan is to increase the capacity of the workforce development system to provide high quality training at the skill and work readiness levels that employers require. We have to efficiently and effectively match job seekers to the specifications of an employers' job opening. The activities we are proposing are designed to expand the regional workforce investment areas' flexibility to prepare workers so their skills match the high demand jobs most needed by the employers in their region.

### **Performance Indicators:**

#### **Goal 1:**

The grant activities listed for WIA will assist partners in improving performance levels in youth numeracy and literacy gains, youth/adult/dislocated worker credential attainments, entered employment and retention rates.

#### **Goal 2:**

The grant activities listed for AES will assist partners in continuing to increase the number of participants who enter, retain, and/or improve employment or achieve placement into post-secondary education or other training.

Goal 3:

The grant activities listed for CTE will assist partners by increasing the number of assessments available for secondary and postsecondary student and clients to assess industry employability and technical skills. These assessments will be made available through an expanded on-line assessment system for partners' clients to meet the needs of industry standards.

**Consultation with Stakeholder Groups:**

Representatives from AES, CTE, and both state and local area WIA staff met twice to discuss the project. Initially, we met to discuss the award of the incentive funds and the expansion of our proposed activities from last year. We met a second time to review the completed application before our submission. At the first meeting we agreed that an expansion of last year's Allied Health Project model into other locally identified high demand industries was our best option for meeting the goals and needs of all partners and clients. At the second, we met to review our completed application and to discuss any concerns about the finalization of our plans.



State of Arizona

**Department of Education**

Tom Horne  
Superintendent of  
Public Instruction

June 5, 2008

Brent R. Orrell  
Acting Assistant Secretary for Employment and Training  
U.S. Department of Labor  
200 Constitution Avenue, NW, Room S-5206  
Washington D.C. 20210

Dear Acting Assistant Secretary Orrell:

I am pleased that Arizona was one of the nine Title V incentive funding eligible states listed in the Federal Register on April 30, 2007. I am confident that the \$1,112,979 that is available to Arizona will be used appropriately and I support our state's application for incentive funding from the Workforce Investment Act.

The state and the eligible agencies, as appropriate, have exceeded the state adjusted levels of performance for WIA Title I, the state adjusted levels of performance for AEFLA, and the Perkins IV act as required by WIA section 503(a) for the third straight year. All of the Arizona Workforce Connection partners continue to be very successful. We are glad to have qualified for the incentive funding and we continue to collaborate and innovate to achieve the best outcomes for the Arizona residents who rely upon the critically needed services that the incentive grant funding makes possible.

The coordination between the three entities identified in the application will focus on an integrated approach to workforce development statewide. I am confident that the proposed use of funds will have a positive impact on workforce preparation and employment skill attainment for the high demand industry jobs that exist in each different region of our diverse state.

Arizona suffers from a critical workforce shortage in many of the high demand industries in our state. The proposed project allows local regions to target and respond to the high demand industries that are suffering most from local labor shortages.

The outcomes we will achieve with this grant will fuel economic growth in Arizona due to the strong partnerships we have forged in working so well together over the past two years.

If you have any questions about the project please call Paul Franckowiak at (602)364-2706.

Sincerely,

A handwritten signature in cursive script that reads "Tom Horne".

Tom Horne  
Superintendent of Public Instruction





STATE OF ARIZONA

JANET NAPOLITANO  
GOVERNOR

OFFICE OF THE GOVERNOR  
1700 WEST WASHINGTON STREET, PHOENIX, AZ 85007

MAIN PHONE: 602-542-4331  
FACSIMILE: 602-542-7601

June 6, 2008

Brent R. Orrell  
Acting Assistant Secretary for Employment and Training  
U.S. Department of Labor  
200 Constitution Avenue, NW, Room S-5206  
Washington D.C. 20210

Dear Acting Assistant Secretary Orrell:

Please find attached the State of Arizona's application to receive \$1,112,979 in Title V incentive funds. If I can be of further assistance, please me at 602.542.1455 or [drenfro@az.gov](mailto:drenfro@az.gov).

Yours very truly,

A handwritten signature in cursive script that reads "Darcy Renfro".

Darcy Renfro  
Policy Advisor for Higher Education and  
Economic Development



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

1717 W. Jefferson • P.O. Box 6123 • Phoenix, AZ 85005

Janet Napolitano  
Governor

Tracy L. Wareing  
Director

JUN 06 2008

Mr. Brent R. Orrell  
Acting Assistant Secretary for Employment and Training  
U.S. Department of Labor  
200 Constitution Avenue, NW, Room S-5206  
Washington D.C. 20210

Dear Mr. Orrell:

The Arizona Department of Economic Security (DES) is pleased to learn that Arizona was one of eight states eligible to receive an incentive grant award under the Workforce Investment Act (WIA) section 503, as listed in the Federal Register on April 28, 2008. We are confident that the \$1,112,979 available to Arizona will be used appropriately and DES supports the Arizona Department of Education's application for WIA Title V incentive funding. This year's proposed initiative builds and expands upon the prior funded projects and is designed to target labor needs for health care and other high demand industries in each diverse region of our state.

The state and the eligible agencies have exceeded the federal performance levels for program year 2006 under WIA Title I, the Adult Education and Family Literacy Act (AEFLA), and the Carl D. Perkins Career and Technical Education Act for the third straight year. All of the Arizona Workforce partners continue to collaborate and innovate to achieve the best outcomes for Arizona residents who rely upon the critically needed services that the incentive grant funding makes possible.

Arizona suffers from a critical workforce shortage in many of the high demand industries in our state. The proposed project, under this year's incentive funds, will allow local regions to target and respond to the high demand industries that are suffering most from local labor shortages. The outcomes we will achieve through this grant will help fuel economic growth in Arizona.

Sincerely,

*Sharon D. Sargent for*

Tracy L. Wareing  
Director

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

DATE: August 5, 2008

TO: Senator Bob Burns, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Amy Upston, Fiscal Analyst

SUBJECT: Department Of Health Services – Review Of Behavioral Health Title XIX Capitation Rate Changes

**Request**

Pursuant to a General Appropriation Act footnote, the Department of Health Services (DHS) must present its plan to the Committee for its review prior to implementing any change in capitation rates for the Title XIX behavioral health programs. Capitation rates are the flat monthly payments made to managed-care health plans for each Title XIX recipient. DHS is requesting review of rate changes for the Children's Behavioral Health (CBH), Seriously Mentally Ill (SMI), and General Mental Health/Substance Abuse (GMH/SA) Title XIX rates.

**Summary of Changes**

The department's capitation rate adjustment includes the following program changes:

- Further expanding services to address litigation involving behavioral health services to high-needs children.
- Shifting the funding of Arizona Department of Juvenile Corrections (ADJC) youth at the Arizona State Hospital (ASH) from 100% state funds to Title XIX funds.
- Increasing intense recovery teams in Pima County for Seriously Mentally Ill adults.
- Expanding substance abuse services for families who take part in the child welfare system or receive TANF Cash Assistance.

It also changes the administrative rate for the department from 4.4% to 3.82%.

(Continued)

## Recommendation

The Committee has at least the following options:

1. An unfavorable review as the capitation rate exceeds the budgeted amount by a net of \$2 million due to program expansions.
2. A favorable review as the excess amount primarily addresses litigation requirements.

## Analysis

Table 1 shows the budgeted and proposed capitation rates for each program. The FY 2009 appropriation was developed using proposed capitation rate data reported by the department during session, which assumed a weighted capitation rate increase of 3.6% above FY 2008.

	FY 2008	FY 2009	% Change
<u>Category</u>	<u>Actual</u>	<u>Budgeted/ Proposed</u>	<u>Above FY 2008</u>
Children	\$63.74	\$63.58	(0.3)%
SMI	\$78.10	\$81.90	4.9%
General Mental Health	\$39.84	\$42.46	6.6%

### Program Changes

#### *Children's Behavioral Health*

The proposed Children's Behavioral Health rate is (0.3) % below the FY 2008 rate. The main drivers for this decline include:

- An increase of 3.6% (at a cost of \$4,350,800) for 2 measures to address stipulations in the *JK v. Gerard* litigation, which alleged that the state failed to provide medically necessary behavioral health services accessible to children. Of this amount, 2.5% will increase the ratio of case managers for high-risk children from approximately 1:36 at the end of FY 2008 to 1:24 at the end of FY 2009. The other 1.1% will add more support and rehabilitative services in a child's home or another community setting for high-risk children.
- An increase of 0.1% to shift the payment of ADJC offenders who reside in ASH from 100% state funds to Title XIX funds.
- A (4.8)% technical decrease.

#### *Seriously Mentally Ill*

The proposed SMI rate is 4.9% above the FY 2008 rate. The main drivers for this increase include:

- An increase of 4.9% due to the projected costs of providing services from FY 2008 to FY 2009.
- An increase of 0.3% (approximately \$413,200) for funding in Pima County for intense recovery teams (IRTs). Intense recovery teams provide individualized strategies for high-risk, high-need members while providing assertive treatment in the patient's community.

#### *General Mental Health and Substance Abuse*

The proposed GMH/SA rate is 6.6% above the FY 2008 rate. The main drivers for this increase include:

- An increase of 6.5% due to the projected costs of providing services from FY 2008 to FY 2009.
- A 0.5% (approximately \$309,900) increase resulting from a change in billing procedures for Arizona Families First (AFF), a program through the Department of Economic Security (DES). AFF provides substance abuse services to families who participate in the child welfare system or who receive TANF Cash Assistance. DHS has included a contract amendment which will go into effect July 1 requiring providers to utilize Title XIX funding if appropriate. No savings were taken in the DES budget.

(Continued)

**Budget Impact**

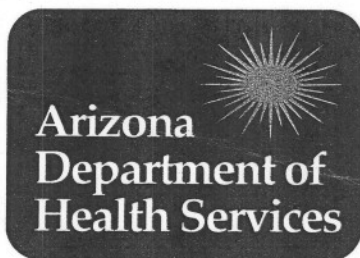
Table 2 shows the FY 2009 appropriations for each population and FY 2009 projections as adjusted for the new capitation rates. Without changes to the enrollment projections and other assumptions used in developing the FY 2009 appropriation, the capitation rate changes will exceed the existing FY 2009 appropriation by \$2,021,000 from the General Fund and \$5,922,900.

The actual costs of the new capitation rates may be higher or lower than shown in Table 2, depending upon the actual number of people that enroll in Title XIX behavioral health programs.

<b>Table 2</b>				
<b>CAPITATED BEHAVIORAL HEALTH SPENDING</b>				
<b>Category</b>	<b>FY 2009 Appropriation</b>		<b>Estimated Need with Capitation Rate Changes</b>	
	<b><u>Total Funds</u></b>	<b><u>General Fund</u></b>	<b><u>Total Funds</u></b>	<b><u>General Fund</u></b>
<b><u>Children's Behavioral Health</u></b>				
Title XIX	\$358,971,200	\$122,432,700	\$361,060,100	\$123,145,500
Proposition 204	4,532,100	1,546,500	4,559,600	1,555,800
<b><u>Seriously Mentally Ill</u></b>				
Title XIX	201,129,500	68,585,400	202,368,700	69,008,300
Proposition 204	208,954,800	71,300,600	210,222,500	71,733,200
<b><u>General Mental Health/Substance Abuse</u></b>				
Title XIX	105,892,800	36,133,300	106,535,200	36,352,500
Proposition 204	108,329,900	36,964,900	108,987,100	37,189,100
Medicaid Special Exemption Payments	<u>20,423,900</u>	<u>6,969,100</u>	<u>20,423,900</u>	<u>6,969,100</u>
<b>Total</b>	<b>\$1,008,234,200</b>	<b>\$343,932,500</b>	<b>\$1,014,157,100</b>	<b>\$345,953,500</b>
<b>Increase Above Appropriation</b>			<b>\$5,922,900</b>	<b>\$2,021,000</b>

RS/AU:ss





## *Office of the Director*

150 N. 18<sup>th</sup> Avenue, Suite 560  
Phoenix, Arizona 85007-2670  
(602) 542-1025  
(602) 542-1062 FAX

JANET NAPOLITANO, GOVERNOR  
SUSAN GERARD, DIRECTOR

June 6, 2008



The Honorable Russell Pearce  
Joint Legislative Budget Committee  
Arizona House of Representatives  
1700 West Washington Street  
Phoenix, Arizona 85007

Dear Representative Pearce:

Pursuant to a footnote in the General Appropriation Act, the Arizona Department of Health Services respectfully requests to be placed on the Joint Legislative Budget Committee's agenda for its next scheduled meeting to review the proposed changes to the Behavioral Health Services Title XIX, Title XXI, and HIFA II capitation rates for fiscal year 2009.

Enclosed please find the following final reports prepared to develop capitation rates for the Department for fiscal year July 1, 2008 to June 30, 2009 (FY09):

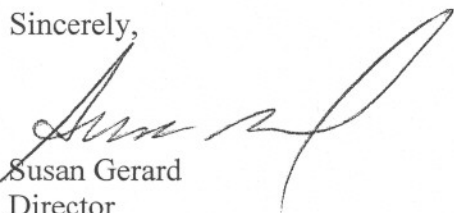
- Title XIX behavioral health services for Children, Seriously Mentally Ill, and General Mental Health/Substance Abuse populations
- Title XXI and HIFA II Behavioral Health Services Programs

In accordance with the Centers for Medicare & Medicaid Services and the Balanced Budget Act of 1997, the rates were developed using actuarially sound methodologies by Mercer Government Human Services Consulting. The Arizona Health Care Cost Containment System (AHCCCS) has reviewed and approved the proposed capitation rates.

Page Two  
June 6, 2008  
The Honorable Russell Pearce

If you have any questions please feel free to call David Reese, Chief Financial Officer for Behavioral Health Services, at (602) 364-4699.

Sincerely,



Susan Gerard  
Director

SG: tsg

C: Senator Robert Burns, Senate Appropriations Chairman  
January Contreras, Policy Advisor, Health/Human Services, Governor's Office  
George Cunningham, Deputy Chief of Staff, Finance/Budget  
James Apperson, Director, Office of Strategic Planning and Budgeting  
Duane Huffman, Budget Analyst, Office of Strategic Planning & Budgeting  
Richard Stavneak, Director, Joint Legislative Budget Committee  
Amy Upston, Fiscal Analyst, Joint Legislative Budget Committee  
Janet Mullen, PhD, Deputy Director, Department of Health Services, Operations  
Dr. Laura Nelson, Acting Deputy Director, Department of Health Services, BHS  
Jim Humble, Assistant Director - CFO, Department of Health Services, BFS  
David Reese, Chief Financial Officer, Department of Health Services, BHS  
Cyprian Eboh, Finance Administrator, AHCCCS, Division of Health Care  
Management, BH

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

3131 East Camelback Road, Suite 300  
Phoenix, AZ 85016  
602 522 6510 Fax 602 957 9573  
mike.nordstrom@mercer.com  
www.mercer.com

April 15, 2008

Mr. David Reese  
Chief Financial Officer  
Arizona Department of Health Services  
Division of Behavioral Health Services  
150 N. 18th Avenue, Suite 200  
Phoenix, AZ 85007

## Final and Confidential

**Subject:** Behavioral Health Services State Fiscal Year 2009 Capitation Rates for the Title XIX Program

Dear Mr. Reese:

## Introduction/Background

The State of Arizona Department of Health Services (ADHS), Division of Behavioral Health Services (BHS) contracted with Mercer Government Human Services Consulting (Mercer), part of Mercer Health & Benefits LLC, to develop actuarially sound capitation rates for each of its Regional Behavioral Health Authorities (RBHAs) for State Fiscal Year 2009 (SFY09). Rates were developed for the Title XIX program.

There are four RBHAs for which actuarially sound capitation rates were developed, covering six geographic service areas. They include:

RBHA	Areas Served
Community Partnership of Southern Arizona (CPSA 3 and CPSA 5)	Pima, Graham, Greenlee, Santa Cruz and Cochise Counties
Cenpatico Behavioral Health of Arizona (Cenpatico 2 and Cenpatico 4)	Yuma, LaPaz, Pinal and Gila Counties
Northern Arizona Regional Behavioral Health Authority (NARBHA)	Mohave, Coconino, Apache, Navajo and Yavapai Counties
Magellan Health Services (MHS)	Maricopa County



Page 2  
April 15, 2008  
Mr. David Reese  
Arizona Department of Health Services

**Final and Confidential**

## **Overview of Rate-Setting Methodology**

Mercer assisted BHS with the development of a risk-based capitation rate methodology for RBHAs that complies with the Centers for Medicare & Medicaid Services (CMS) requirements and the regulations under the Balanced Budget Act of 1997 (BBA). As it relates to the rate-setting methodology checklist and Medicaid managed care regulations (42 CFR 438.6) effective August 13, 2002, CMS requires that capitation rates be "actuarially sound." CMS defines actuarially sound rates as meeting the following criteria.

- Have been developed in accordance with generally accepted actuarial principles and practices
- Are appropriate for the populations to be covered and the services to be furnished under the contract
- Have been certified by actuaries who meet qualification standards established by the American Academy of Actuaries and the Actuarial Standards Board

Actuarially sound capitation rates were developed for the contract period July 1, 2008, through June 30, 2009, covering SFY09. Mercer has utilized actuarially sound principles and practices in the development of these capitation rates.

The goal of capitation rate development is to take experience that is available during the base period and convert that experience, using actuarial principles, into appropriate baseline data for the contract period. Once the baseline data is determined, adjustments including trend, any unusual service utilization changes and provisions for administration and underwriting profit/risk/contingency are applied in order to determine actuarially sound capitation rates. The capitation rate development process was divided into the following steps.

### **1. Calculate base data**

- Collect, analyze, and adjust first half of SFY08 (1HSFY08) RBHA financial statements and SFY07 RBHA-submitted encounter data and financial statements
- Utilize actual member months from 1HSFY08 and the adjusted 1HSFY08 total claim costs to calculate 1HSFY08 per-member-per-month (PMPM) values
- Adjust the derived 1HSFY08 PMPMs via a seasonality/trend projection factor to generate initial full year SFY08 claim cost PMPMs

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 3  
April 15, 2008  
Mr. David Reese  
Arizona Department of Health Services

**Final and Confidential**

## 2. Calculate SFY09 actuarially sound rates

- Apply trend factors to bring Base SFY08 claims costs forward to SFY09
- Adjust for any unusual service utilization changes (such as High Needs Children, JK Support Services, DES Families First, Arizona Department of Juvenile Corrections (ADJC), IMD Waiver and Pima County Intense Recovery Teams)
- Apply acuity adjustment (if necessary) to account for changes in Behavioral Health penetration rates
- Certify actuarial equivalence of the populations
- Add provisions for administration and underwriting profit/risk/contingency

The end result of this capitation rate development process, completed jointly by BHS and Mercer, is actuarially sound capitation rates for SFY09.

Actuarially sound capitation rates were developed for each of the following population and RBHA combinations, shown in the table below.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Children — Non-CMDP	\$38.74	\$44.84	\$48.48	\$35.38	\$69.32	\$32.15	\$37.51
Children — CMDP	\$1,385.15	\$1,419.15	\$929.73	\$1,544.46	\$591.55	\$879.30	\$1,066.83
SMI	\$46.94	\$68.77	\$37.32	\$44.96	\$50.98	\$105.25	\$77.21
GMH/SA	\$31.30	\$51.20	\$53.06	\$30.01	\$66.37	\$37.47	\$40.72

The rate development schedules are shown in Attachment A.

## Base Data

The base data consisted of adjusted financial statements from all current RBHAs for the July 1, 2007, through December 31, 2007, time period. In addition, RBHA-submitted encounter data was reviewed for completeness and claim cost trends. The financial statement expenses were reduced by the following factors for each RBHA and population, based on the encounter and financial data analysis.



# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 4  
April 15, 2008  
Mr. David Reese  
Arizona Department of Health Services

**Final and Confidential**

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS
Children — Non-CMDP	0.015	0.015	0.010	0.015	0.010	0.010
Children — CMDP	0.015	0.015	0.010	0.015	0.010	0.010
SMI	0.015	0.015	0.010	0.015	0.010	0.010
GMH/SA	0.015	0.015	0.010	0.015	0.010	0.010

BHS has periodically performed reviews of the RBHA-submitted data and has determined that the data do not include any uncovered services.

## Seasonality/Trend to SFY08

The base data included adjusted RBHA financial statements received for 1HSFY08. Projection factors to account for seasonality/trend were developed by population in order to project costs forward to a full SFY08 period.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS
Children — Non-CMDP	1.020	1.020	1.020	1.020	1.020	1.020
Children — CMDP	1.020	1.020	1.020	1.020	1.020	1.020
SMI	1.010	1.010	1.010	1.010	1.010	1.010
GMH/SA	1.030	1.030	1.030	1.030	1.030	1.030

## Trend

Trend is an estimate of the change in the cost of providing a specific set of benefits over time, resulting from both unit cost (price) and utilization changes. Trend factors are used to estimate the cost of providing services in some future year (contract year) based on the cost incurred in a prior (base) year.

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 5  
April 15, 2008  
Mr. David Reese  
Arizona Department of Health Services

**Final and Confidential**

In order to determine actuarially sound capitation rates, Mercer projected the base data forward to reflect utilization and unit cost trend by population. Mercer calculated trends from the historical financial data and reviewed summarized encounter data. The historical data that was used as a basis for trend development did not appropriately reflect the costs related to the separate service utilization changes described below. Mercer also utilized its professional experience in working with numerous state Medicaid behavioral health and substance abuse programs. Although the trends were developed using several years of historical data, the trend factors were applied only to the projected SFY08 base data, bringing it forward 12 months to SFY09. The following trend estimates were used for the capitation rates.

Population	CPSA 3	CPSA 5	Cenpatenco 2	NARBHA	Cenpatenco 4	MHS	Statewide
Children	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
SMI	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
GMH/SA	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%

## Service Utilization Changes

BHS and Mercer reviewed changes for SFY09 that would unusually affect service utilization. It was determined that due to expected changes in utilization of specific existing Covered Services, adjustments to the base data would need to be made to account for these changes. The following seven changes were accounted for in the rate development process.

### High Needs Children

The High Needs Children service expansion will add additional case managers throughout the State to continue progress towards the goal of one case manager for every 15 high needs children. Of these case managers, the vast majority will be behavioral health technicians and the remainder will be behavioral health professionals. Adequate case management is required to coordinate the variety of necessary covered behavioral health services, especially for children with complex needs. There are currently not enough case managers for children with complex needs to achieve the desired ratio.

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 6  
April 15, 2008  
Mr. David Reese  
Arizona Department of Health Services

**Final and Confidential**

The PMPM increases applied to the Non-CMDP and CMDP children's populations for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Non-CMDP	\$1.33	\$1.35	\$1.33	\$1.07	\$1.22	\$0.88	\$1.04
CMDP	\$35.99	\$36.44	\$36.00	\$28.83	\$32.89	\$23.78	\$28.81

## **DES Families First**

This program provides family-centered substance abuse and recovery support services to parents or caregivers whose substance abuse is a significant barrier to maintaining or reunifying the family or achieving self-sufficiency. The program provides an array of structured interventions to reduce or eliminate abuse of and dependence on alcohol and other drugs, and to address other adverse conditions related to substance abuse.

The PMPM increases applied to the adult GMH/SA population for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
GMH/SA	\$0.17	\$0.20	\$0.18	\$0.09	\$0.17	\$0.21	\$0.18

## **Direct Support Services**

The behavioral health system requires ready access to direct supports and home-based services, to effectively provide needed wraparound services for kids with complex needs and their families. This allows the child to remain at home with family instead of being placed out of home. A select list of 19 procedure codes is expected to have an increased utilization as a result of this settlement.

The PMPM increases applied to the Non-CMDP and CMDP children's populations for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Non-CMDP	\$0.59	\$0.60	\$0.59	\$0.47	\$0.54	\$0.39	\$0.46
CMDP	\$16.00	\$16.19	\$16.00	\$12.81	\$14.62	\$10.57	\$12.80

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 7  
April 15, 2008  
Mr. David Reese  
Arizona Department of Health Services

Final and Confidential

## Arizona Department of Juvenile Corrections (ADJC)

Children in the ADJC system and in the State Hospital are Title XIX eligible. The costs for these children are currently being paid for by the State Hospital, however starting in SFY09, the RBHAs will be expected to cover the costs of these Title XIX eligible children.

The PMPM increases applied to the Non-CMDP and CMDP children's populations for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
Non-CMDP	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.04	\$0.02
CMDP	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.14	\$0.60

## IMD Waiver

The IMD waiver that was in place to allow funding for 21-64 year olds will be completely phased out after the upcoming fiscal years. The phase-out will be 50 percent FFP for October 1, 2007 to September 30, 2008. Only the portion that will be federally matched can stay in the certified capitation rates. This result is a reduction of about \$4.2 million in claims for the combined SMI and GMH/SA populations.

The PMPM decrease applied to the SMI and GMH/SA populations for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
SMI	\$0.32	\$0.43	\$0.27	\$0.28	\$0.34	\$0.69	\$0.50
GMH/SA	\$0.21	\$0.33	\$0.36	\$0.18	\$0.42	\$0.23	\$0.25

## In-Lieu of Services

With the phasing out of IMD services, it is expected that many of the services previously provided at an IMD facility would need to be provided at an inpatient non-specialty hospital. State approved FFS rates at inpatient non-specialty hospitals are approximately 101.5% more expensive than those provided in alternative inpatient settings, resulting in a potential increase in claims of about \$4.2 million for the combined SMI and GMH/SA populations. By allowing ADHS/BHS to provide services in alternative inpatient settings that are licensed by ADHS/ALS/OBHL, in lieu of services in an inpatient non-specialty hospital, unit cost savings of may be realized.

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 8  
April 15, 2008  
Mr. David Reese  
Arizona Department of Health Services

**Final and Confidential**

The resulting PMPM adjustment applied to the SMI and GMH/SA populations are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
SMI	\$0.32	\$0.43	\$0.27	\$0.28	\$0.34	\$0.69	\$0.50
GMH/SA	\$0.21	\$0.33	\$0.36	\$0.18	\$0.42	\$0.23	\$0.25

## **Pima County Intense Recovery Teams (IRTs)**

It has been determined that an increase to funding in Pima County for intense recovery teams is necessary for SFY09.

The PMPM increases applied to the SMI population for this utilization adjustment are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS	Statewide
SMI	\$0.00	\$1.32	\$0.00	\$0.00	\$0.00	\$0.00	\$0.24

## **Behavioral Health Penetration – Acuity Adjustment**

An increase in penetration in some populations of the behavioral health program has been observed and is projected in these populations. Greater proportions of those eligible are accessing the behavioral health system. These increases have contributed to the projected increase in utilization for these populations and are reflected in overall claim costs. This change, as well as any projected decrease in penetration, was applied as an acuity adjustment to the SFY09 PMPM claim costs and represents a difference due to increased or decreased penetration (those enrolled, compared to those eligible), and does not adjust for any normal unit cost or utilization trends, which are handled above.

The acuity factors that were applied are as follows.

Population	CPSA 3	CPSA 5	Cenpatico 2	NARBHA	Cenpatico 4	MHS
Non-CMDP	0.981	0.975	1.009	1.022	1.023	0.971
CMDP	0.973	1.009	0.987	1.043	1.003	0.964
SMI	0.996	1.030	0.970	1.037	0.986	0.972
GMH/SA	0.994	0.987	1.019	1.040	1.023	0.997



# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 9  
April 15, 2008  
Mr. David Reese  
Arizona Department of Health Services

Final and Confidential

## White Mountain Apache Tribal Regional Behavioral Health Authority

The White Mountain Apache Tribe began as a Tribal Regional Behavioral Health Authority (TRBHA) October 1, 2007. NARBHA served the members that became the responsibility of the new TRBHA for the first three months of the financial data base period. The NARBHA capitation rates have been adjusted to account for differences in continuing to serve the entire population and the projected population, which excludes those eligibles that would be served by the new TRBHA. Cost, eligibility and enrollment data were reviewed for the zip codes affected by the new TRBHA. The resulting adjustment is an increase to the NARBHA capitation rates; however, total dollars projected to be paid to NARBHA are lower due to the eligibles that would no longer be served by NARBHA. The table below summarizes the adjustment to the NARBHA capitation rates by population.

	Non-CMDP	CMDP	SMI	GMH
NARBHA	\$0.28	\$12.85	\$0.28	\$0.02

## Administration and Underwriting Profit/Risk/Contingency

The actuarially sound capitation rates developed include provisions for RBHA administration. Mercer used its professional experience in working with numerous state Medicaid behavioral health and substance abuse programs in determining appropriate loads for administration and underwriting profit/risk/contingency. Mercer also reviewed current RBHA financial reports. The component for administration and underwriting profit/risk/contingency is calculated as a percentage of the final capitation rate. A 10 percent load was added across all populations, consistent with SFY08 capitation rate development.

## Risk Corridors and Performance Incentive

BHS has in place a risk corridor arrangement with the RBHAs that provides motivation for the RBHAs to appropriately manage expenses, yet provides financial protection against unmanageable losses. The risk corridor provides impetus for the RBHAs to operate efficiently and generate net income, but also provides for the return of any excessive profit to the State.

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 10  
April 15, 2008  
Mr. David Reese  
Arizona Department of Health Services

**Final and Confidential**

The proposed SFY09 BHS risk corridor approach provides for gain/loss risk sharing symmetry around the service revenue portion of the capitation rates. This risk corridor model is designed to be cost neutral, with no net aggregate assumed impact across all payments. The RBHAs' contracts also provide for a potential one percent performance incentive. In Mercer's professional opinion, the risk corridor and performance incentive methodologies utilized by BHS are actuarially sound.

## **Tribal Fee-For-Service Claims Estimate**

Mercer received tribal claims and membership data from BHS for SFY05 through SFY07. This data was reviewed, projected, and trended forward. BHS also provided additional information related to FFS rate increases that would affect tribal claims. Also, as discussed previously, the White Mountain Apache TRBHA began providing services October 1, 2007. This resulted in an increase in tribal FFS dollars. Based on this information, Mercer and BHS projected that Title XIX tribal claim costs for SFY09 will be approximately \$38.7 million.

## **BHS Administration/Risk/Contingency**

The Arizona Health Care Cost Containment System (AHCCCS) has placed BHS Administration at financial risk for the provision of BHS covered services for SFY09. Accordingly, the capitation rates were developed to include compensation to BHS for the cost of ensuring the delivery of all BHS covered services. The capitation rates paid to BHS include a 3.82 percent load, which was negotiated between AHCCCS and BHS Administration. The load represents the BHS costs of ensuring the efficient delivery of services in a managed care environment.

## **Development of Statewide Capitation Rates**

Statewide capitation rates were developed by blending the SFY09 capitation rates for each RBHA using projected SFY09 member months, the estimated dollar amount of SFY09 tribal claims, and the administrative percentage add-on component for BHS.

The statewide capitation rates are shown in Attachment B.

# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

Page 11  
April 15, 2008  
Mr. David Reese  
Arizona Department of Health Services

**Final and Confidential**

## **Certification of Final Rates**

Mercer certifies that the above and attached rates were developed in accordance with generally accepted actuarial practices and principles by actuaries meeting the qualification standards of the American Academy of Actuaries for the populations and services covered under the managed care contract. Rates developed by Mercer are actuarial projections of future contingent events. Actual RBHA costs will differ from these projections. Mercer has developed these rates on behalf of BHS to demonstrate compliance with the CMS requirements under 42 CFR 438.6(c) and are in accordance with applicable law and regulations.

If you have any questions concerning our rate setting methodology, please feel free to contact me at 602 522 6510.

Sincerely,

A handwritten signature in cursive script that reads "Michael E. Nordstrom" followed by the text "ASA, MAAA" in a more formal, blocky font.

Michael E. Nordstrom, ASA, MAAA

Copy:  
Cynthia Layne, ADHS  
Sundee Easter, Mercer  
Amanda Mueller, Mercer  
Rob O'Brien, Mercer

Enclosures

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

DATE: August 5, 2008

TO: Senator Robert Burns, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Juan Beltran, Fiscal Analyst

SUBJECT: Department of Revenue – Review of Business Reengineering/Integrated Tax System  
Contract Amendment

**Request**

DOR requests review of a proposed additional \$3.2 million contract amendment for project support of implemented BRITS systems through June 2009. The Revenue Budget Reconciliation Bill (Laws 2008, Chapter 290) requires DOR to submit for Committee review any BRITS contract extensions or modifications that change the dollar value of the contract. These contract amendments permit DOR to expend BRITS-related General Fund revenue collections without an appropriation.

**Recommendation**

The Committee has at least the following 2 options:

- 1) A favorable review of the proposed \$3.2 million contract amendment. The Information Technology Authorization Committee (ITAC) approved DOR's proposal on June 25, 2008.
- 2) An unfavorable review, since General Fund revenue is used to pay for the contract amendment.

Of the last 3 contract amendments, the Committee unfavorably reviewed the first one and favorably reviewed the last two.

**Analysis**

**Background**

BRITS is the computer system being implemented by DOR to further automate and integrate their separate tax systems, including the transaction privilege tax, and corporate and individual income taxes. BRITS was designed to improve enforcement and ultimately increase revenues to the state. BRITS is

(Continued)

being paid for through a gain-sharing arrangement, which pays the vendor 85% of tax enforcement revenues above an established baseline amount until the project is paid for. The state receives the remaining 15%. Enforcement revenue represents collections received through the tax audit and collection processes.

DOR's proposed \$3.2 million amendment would extend the vendor's operational support through the end of FY 2009. Including a remaining balance of \$1.3 million for project support from FY 2007 and DOR's direct costs of \$1.4 million, the \$3.2 million amendment would bring the estimated total cost of BRITS operational support to \$5.9 million in FY 2009. As means of comparison, the total cost of BRITS operational support was approximately \$7.3 million in FY 2008. DOR attributes the decrease in operational support costs to the increased BRITS support provided by internal FTE positions. The vendor currently charges \$132 per hour for operational support, as compared to DOR's average rate of \$56 per hour.

DOR has previously sought additional General Fund appropriations to transition the program from the vendor to DOR. The Legislature has not fully funded this request. As a result, DOR has continued to rely on these contract amendments since they do not require an appropriation.

### **ITAC Review**

The BRITS project has cost \$157.7 million prior to the current \$3.2 million proposed amendment. This total includes \$6.6 million for the unimplemented document imaging and customer relationship management phases. DOR notes that BRITS has generated new revenues above the BRITS baseline sufficient to offset the cost of the proposed \$3.2 million amendment. It is difficult, however, to evaluate how much in additional revenues can be directly attributed to BRITS, as other factors unrelated to BRITS affect the level of collections. JLBC Staff has previously reported on this issue to the Committee.

JB:sls



# STATE OF ARIZONA

Department of Revenue  
Office of the Director  
(602) 716-6090



July 7, 2008

The Honorable Robert Burns  
Chairman – Joint Legislative Budget Committee  
1700 West Washington  
Phoenix, Arizona 85007

Janet Napolitano  
Governor

Gale Garriott  
Director



Dear Senator Burns:

In compliance with Laws 2007, Chapter 259, this letter is to serve as the Department of Revenue's notification to the Joint Legislative Budget Committee requesting a review, at JLBC's July meeting, of the Department's intent to modify the current business reengineering/integrated tax system contract.

The table below illustrates the summary of costs related to the amendment request.

## BRITS Contract Amendment Summary of Costs

	Contract Cost Impact
<b>BRITS Project Amendment</b>	
1. BRITS Project Backfill Support (Task Order 24000) Fiscal Year 2009	<b>\$3,234,200</b>
<b>Total Contract Amendment:</b>	<b>\$3,234,200</b>

Like all other BRITS project costs, the additional contract costs will be funded through benefits generated by the project, there will be no requirement for appropriated state funds.

The requested contract amendment received ITAC approval on June 25, 2008 (ITAC Approval Letter attached).

If you have any questions regarding this request, please contact Reed Spangler (716-6883).

Sincerely,

Kristine Ward  
Deputy Director – Arizona Department of Revenue

cc: Representative Russell Pearce  
Richard Stavneak – Director JLBC  
Jim Apperson – Director OSPB  
Marcel Benberou – OSPB  
Juan Beltran - JLBC

**JANET NAPOLITANO**  
GOVERNOR



**CHRIS CUMMISKEY**  
DIRECTOR

STATE OF ARIZONA  
GOVERNMENT INFORMATION TECHNOLOGY AGENCY

100 North 15th Avenue, Suite 440  
Phoenix, AZ 85007

June 25, 2008

Mr. Gale Garriott, Director  
Arizona Department of Revenue  
1600 West Monroe Street  
Phoenix AZ 85007

Dear Gale:

The Information Technology Authorization Committee (ITAC) met this date to consider the  
**"BRITS Contract Amendment."**

ITAC voted in the affirmative for *Approval* of the Contract Amendment.

You may proceed to secure additional approvals as required by the Joint Legislative Budget Committee, Office of Strategic Planning and Budgeting and the State Procurement Office.

Best wishes,

A handwritten signature in black ink, appearing to be "Chris Cummiskey". The signature is written over the printed name and title of the sender.

Chris Cummiskey  
Director, State CIO

FS:mm

cc: Susan Silberisen, ADOR  
Kristine Ward, ADOR  
Jim Harden, ADOR  
Jim Apperson, OSPB  
Dan Hunting, JLBC  
Doug Milford, SPO  
Frank Somers, GITA

GITA# RV01016\_C2

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

DATE: August 5, 2008

TO: Senator Bob Burns, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Assistant Fiscal Analyst

SUBJECT: Attorney General – Review of Allocation of Settlement Monies – State v. Bill Heard Chevrolet, Inc.

**Request**

The General Appropriation Act (Laws 2007, Chapter 255) contains a footnote that requires JLBC review of the expenditure plan for settlement monies over \$100,000 received by the Office of the Attorney General (AG) or any other person on behalf of the State of Arizona, prior to expenditure of the monies. Settlements that are deposited in the General Fund pursuant to statute do not require JLBC review.

This request is for review of a \$225,000 allocation to the AG and an unknown amount of concessions to consumers from Bill Heard Chevrolet, Inc.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of the allocation plans from the Bill Heard settlement. The allocation plans are consistent with A.R.S. § 44-1531.01, which relates to the distribution of monies recovered as a result of enforcing consumer protection or consumer fraud statutes.

**Analysis**

The Attorney General entered into a settlement with Bill Heard Chevrolet, an auto dealership in Scottsdale, Arizona, on June 4, 2008. The settlement resolves a lawsuit alleging misrepresentations in auto sales advertisements. The lawsuit included allegations that Bill Heard Chevrolet did not disclose all terms and conditions of auto sale offers and did not always honor the advertised discounts.

The settlement does not acknowledge any wrongdoing on the part of Bill Heard Chevrolet. It requires Bill Heard Chevrolet to accurately advertise their inventory numbers related to promotional discounts, uphold the conditions of the advertisements, develop procedures to implement the consent judgment, and train its employees and independent marketing companies accordingly. The consent judgment also

(Continued)

requires Bill Heard to provide a mechanism for consumers to file complaints with the Attorney General until September 2008 for any consumer incidents occurring on or after March 1, 2007. Bill Heard Chevrolet will individually review and resolve these according to the terms of the settlement.

The settlement also requires Bill Heard Chevrolet to pay \$225,000 to the AG in installments to be completed by the end of 2008. This amount will be deposited into the Consumer Fraud Revolving Fund for attorneys fees, investigation costs, and to support consumer fraud investigations, consumer education, and enforcement of the Consumer Fraud Act.

RS:MZ/ss



Terry Goddard  
Attorney General

Office of the Attorney General  
State of Arizona

Jennifer A. Boucek  
Consumer Protection &  
Advocacy Section

June 25, 2008



The Honorable Timothy S. Bee  
President of the Senate  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable James P. Weiers  
Speaker of the House  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable Robert L. Burns  
Chairman, Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, AZ 85007

Re: State of Arizona v. Bill Heard Chevrolet, Inc. – Scottsdale

Dear Gentlemen:

The Arizona Attorney General's Office entered into a consent judgment with Bill Heard Chevrolet, Inc. – Scottsdale (Bill Heard) that resolves allegations of deceptive advertising and sales practices related to auto sales.

According to the complaint filed with the consent judgment on June 4, 2008, Bill Heard failed to disclose important terms and conditions of the offers advertised in newspapers, through direct mail or on the Internet. In some instances Bill Heard included a "Bill Heard discount" as part of the vehicle's advertised price, but did not always give the discount to the consumer. In other cases, the dealership would refuse to sell advertised vehicles to consumers consistent with the terms of the ads.

The settlement, in the form of a consent judgment, does not constitute an admission of wrongdoing by Bill Heard. The settlement:

- Prohibits Bill Heard from engaging in false and deceptive advertising and from selling motor vehicles for more than their advertised price.



- Requires that the dealership's ads accurately identify the number and vehicles available for sale, the price of the advertised vehicles and which options are included in the advertised price of the vehicles.
- Requires Bill Heard to ensure it has advertised vehicles in inventory and available for sale, or that a fair substitute is available.
- Requires Bill Heard to stop using ads that appear to include a check or come from a governmental entity.
- Requires Bill Heard to stop using newspaper ads that exaggerate the amount of inventory or number of vehicles available for sale.
- Requires Bill Heard to stop using direct mail letters that claim to offer a variety of "special" discounts or programs, but in fact deliver no real benefits to consumers who receive them.
- Requires the dealership to adopt policies and procedures in order to implement the specific terms of the consent judgment, provide training to its employees, and enact procedures to discipline employees who fail to comply.
- Requires Bill Heard to ensure that everyone involved in its advertising, including independent marketing companies, are aware of the settlement.

Additionally, the settlement also provides a mechanism for consumers to file complaints with the Attorney General's Office for events occurring on or after March 1, 2007. The settlement requires Bill Heard to review the complaints and resolve them according to the terms of the settlement, but does not necessarily require the auto dealer to pay refunds. Each case will be decided on its own facts.

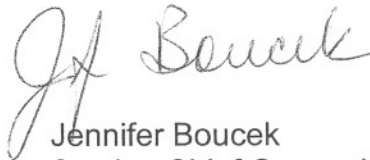
Bill Heard will pay \$225,000 to the Attorney General's Office for civil penalties, attorney's fees and costs of investigation. Those funds will be used for consumer fraud education and to support the operations of the consumer protection division as provided in Arizona law.

This recovery will be placed in the Consumer Fraud Revolving Fund pursuant to A.R.S. § 44-1531.01. Our notification to you of this settlement is made without prejudice to this office's long-standing position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Hon. Timothy S. Bee  
Hon. James P. Weiers  
Hon. Russell K. Pearce  
June 25, 2008  
Page 3

Thank you for your consideration of this matter. If you have any questions, please telephone me at (602) 542-7714.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Boucek".

Jennifer Boucek  
Section Chief Counsel  
Consumer Protection and Advocacy Section

JAB/sp

cc: The Honorable Russell K. Pearce  
The Honorable Marsha J. Arzberger  
The Honorable Phillip M. Lopes  
Mr. Richard S. Stavneak  
Ms. Leah B. Ruggieri  
Ms. Leezie Kim  
Mr. David Gass  
Ms. Sheryl A. Rabin  
Mr. John T. Stevens, Jr.

#228241

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

DATE: August 5, 2008

TO: Senator Bob Burns, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Assistant Fiscal Analyst

SUBJECT: Attorney General – Review of Allocation of Settlement Monies – State v. Express Scripts, Inc.

**Request**

The General Appropriation Act (Laws 2007, Chapter 255) contains a footnote that requires JLBC review of the expenditure plan for settlement monies over \$100,000 received by the Office of the Attorney General (AG) or any other person on behalf of the State of Arizona, prior to expenditure of the monies. Settlements that are deposited in the General Fund pursuant to statute do not require JLBC review.

This request is for review of a \$65,000 allocation to the AG and a \$185,700 allocation to be used by non-profit organizations to benefit Arizona prescription drug consumers.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of the allocation plans from the Express Scripts settlement. The allocation plans are consistent with A.R.S. § 44-1531.01, which relates to the distribution of monies recovered as a result of enforcing consumer protection or consumer fraud statutes.

**Analysis**

Arizona, along with 29 other states, entered into a consent judgment with the pharmacy benefit management company, Express Scripts, Inc., on May 27, 2008. The settlement resolves a lawsuit alleging Express Scripts engaged in actions including overstating the cost benefits to patients of switching medicines and not disclosing that rebates from switching drugs would be earned by Express Scripts.

The settlement requires Express Scripts to inform patients and doctors of patient costs, differences in side effects and efficacy, and Express Scripts' financial incentives when attempting to interchange drugs.

(Continued)

The total Express Scripts settlement amount is \$9.3 million, of which Arizona will receive \$250,700. Of Arizona's total, \$185,700 must be used by non-profit organizations to benefit low-income, disabled, or elderly consumers of prescription medications; to promote lower drug costs for state residents; to educate consumers concerning the cost differences among medications; or for similar purposes. These non-profit organizations will be determined in accordance with a Request for Proposal that also includes settlement monies from the Caremark consent judgment that the Committee favorably reviewed in April 2008.

The remaining \$65,000 of the Arizona settlement monies will be used by the AG for attorney's fees and investigative costs, consumer fraud education, and for investigations and enforcement of the Consumer Fraud Act.

RS:MZ/ss



Terry Goddard  
Attorney General

Office of the Attorney General  
State of Arizona

Jennifer A. Boucek  
Consumer Protection &  
Advocacy Section

June 25, 2008

The Honorable Timothy S. Bee  
President of the Senate  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable James P. Weiers  
Speaker of the House  
1700 West Washington Street  
Phoenix, AZ 85007

The Honorable Robert L. Burns  
Chairman, Joint Legislative Budget Committee  
1700 West Washington Street  
Phoenix, AZ 85007

Re: State v. Express Scripts, Inc.

Dear Gentlemen:

Arizona, along with 29 other states, entered into a \$9.3 million settlement with Express Scripts Inc., ("Express Scripts") one of the nation's largest pharmacy benefits management companies.

The states alleged that Express Scripts engaged in deceptive business practices by possibly overstating the cost benefits of switching to certain preferred medicines. Moreover, according to the states, Express Scripts did not clearly disclose to their clients plans that rebates accrued from the drug switching process would be earned by Express Scripts.

The settlement, in the form of an Assurance of Discontinuance, requires Express Scripts to:

- Inform patients and prescribers what effect a drug switch will have on a patient's co-payment.
- Obtain express, verifiable authorization from the prescriber for all drug switches.





- Inform prescribers of Express Scripts' financial incentives for certain drug switches.
- Inform prescribers of material differences in side effects or efficacy between prescribed drugs and proposed drugs.
- Reimburse patients for out-of-pocket expenses for drug switch-related health care costs and notify patients and prescribers that such reimbursement is available.
- Monitor the effects of drug switches on the health of patients.
- Refrain from making any claims of savings for a drug switch to patients or prescribers unless Express Scripts can substantiate the claim.

Arizona's share of the settlement is \$250,735. Of that amount, \$185,735 must be used to benefit low-income, disabled or elderly consumers of prescription medications, to promote lower drug costs for state residents, to educate consumers concerning the cost differences among medications, or for similar purposes.<sup>1</sup> The remaining \$65,000 is being paid to the Attorney General's Office for attorney's fees and costs of investigation and will be used for consumer fraud education and to support the operations of the consumer protection section as provided in Arizona law.

The settlement also generally prohibits Express Scripts from soliciting drug switches when:

- The net drug cost of the proposed drug exceeds the net drug cost of the originally prescribed drug;
- The originally prescribed drug has a generic equivalent and the proposed drug does not;
- The originally prescribed drug's patent is expected to expire within six months; or
- The patient was switched from a similar drug within the last two years.

This recovery will be placed in the Consumer Fraud Revolving Fund pursuant to A.R.S. § 44-1531.01. Our notification to you of this settlement is made without prejudice to this office's long-standing position that it is not under any legal obligation to provide

---

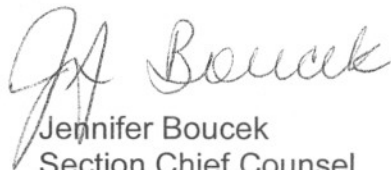
<sup>1</sup> We will distribute these funds in accordance with the terms of a Request for Proposal that our office is issuing with respect to both this and the Caremark settlement.

Hon. Timothy S. Bee  
Hon. James P. Weiers  
Hon. Russell K. Pearce  
June 25, 2008  
Page 3

notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Thank you for your consideration of this matter. If you have any questions, please telephone me at (602) 542-7714.

Sincerely,



Jennifer Boucek  
Section Chief Counsel  
Consumer Protection and Advocacy Section

JAB/sp

cc: The Honorable Russell K. Pearce  
The Honorable Marsha J. Arzberger  
The Honorable Phillip M. Lopes  
Mr. Richard S. Stavneak  
Ms. Leah B. Ruggieri  
Ms. Leezie Kim  
Mr. David Gass  
Ms. Sheryl A. Rabin  
Mr. John T. Stevens, Jr.

#228274

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

DATE: August 5, 2008

TO: Senator Robert Burns, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jon McAvoy, Fiscal Analyst

SUBJECT: Administrative Office of the Courts – Review of Reimbursement of Appropriated Funds

**Request**

Pursuant to Laws 2008, Chapter 285 (General Appropriation Act), the Administrative Office of the Courts (AOC) requests review of the expenditure of \$3.9 million in reimbursements during FY 2009.

The Auditor General issued a report in September 2005 stating that AOC had not been properly notifying the JLBC Staff of similar reimbursements in the past. Since that time, a footnote in the General Appropriation Act has required AOC to submit the intended use of these reimbursement monies for Committee review.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review to the agency request. These projected reimbursements total \$3,912,500 in FY 2009. In FY 2008, AOC projected collecting \$3,784,500. Actual collections in FY 2008 totaled \$4,068,900.

The Committee has favorably reviewed similar AOC requests in prior years.

**Analysis**

A.R.S. § 35-142.01 states that if an agency receives a reimbursement from federal or other sources, that agency is permitted to retain and expend those monies as long as the agency director determines that they are necessary for the agency's operation. The agency director also must determine that the Legislature did not specifically consider and reject such reimbursement during the agency's original budget appropriation.

This statute also requires that the agency director shall notify in writing the JLBC, the Governor's Office of Strategic Planning and Budgeting and the state comptroller.

(Continued)

The reimbursements consist of monies received by AOC for services provided to local courts and their personnel. These monies replace appropriated monies that were spent in FY 2008 for the following services:

Arizona Court Automation Project Charge-backs

Courts throughout the state that participate in AOC's statewide automation projects are billed semi-annually for the costs of providing network services. Courts then reimburse AOC for these costs, which include software, hardware, network connections and program development and support. AOC estimates that local courts will reimburse an estimated \$1,665,000 in FY 2009. In FY 2008, AOC projected collecting \$1,600,000. Actual collections were \$1,804,600.

Parental Payments

Parents whose children receive juvenile treatment services are billed after probation departments or juvenile courts determine the parents' ability to pay. Parents usually make payments on a weekly or monthly basis to the local court, which transmits the monies to AOC. AOC estimates that parents will make approximately \$400,000 in payments in FY 2009. In FY 2008, AOC projected collecting \$480,600. Actual collections were \$366,600.

Westlaw

Superior Courts are billed for a portion of the cost of the contract with West Publishing, a firm that publishes legal reference materials used by judges and other court personnel. Maricopa and Pima County Superior Courts are billed twice a year, and Superior Courts in other counties are billed yearly. AOC estimates that Superior Courts will reimburse \$35,000 in FY 2009. In FY 2008, AOC projected collecting \$34,900. Actual collections were \$49,700.

Foster Care

AOC pays for administering and conducting reviews of foster care cases. Federal Title IV-E monies are then sought to assist in funding this program. AOC estimates that \$480,000 will be received in FY 2009. Monies are received monthly. In FY 2008, AOC projected collecting \$476,000. Actual collections were \$535,400.

Juvenile Treatment

AOC pays for costs of contracting with treatment providers to serve juveniles adjudicated as delinquent. Federal regulations allow AOC to seek federal Title IV-E reimbursement for costs related to treatment and administration. Reimbursement for treatment costs is received monthly, and administrative cost reimbursement is received quarterly. AOC estimates that \$484,500 will be reimbursed by the federal government in FY 2009. In FY 2008, AOC projected collecting \$511,000. Actual collections were \$575,600.

Maricopa County Probation – Vehicles

County probation departments use state-owned vehicles to conduct probation business, and the Arizona Department of Administration bills AOC for the motor pool costs associated with each county. However, Laws 2006, Chapter 261 prevents AOC from using state funding for probation services within Maricopa County. Because of this requirement, AOC bills Maricopa County for the cost of its usage of the state vehicle fleet. AOC estimates it will receive \$750,000 from Maricopa County in FY 2009. In FY 2008, AOC projected collecting \$682,000. Actual collections were \$736,900.

GPS Charge-backs

Pursuant to Laws 2008, Chapter 286, AOC will periodically charge each local probation fees account an amount established annually by the Supreme Court to cover a proportional share of the cost of monitoring devices. AOC estimates it will receive \$98,000 in FY 2009.

(Continued)

Table 1 shows these reimbursements:

Table 1	
AOC Reimbursements	
FY 2009	
<u>Reimbursement</u>	<u>Amount</u>
ACAP Charge-backs	\$1,665,000
Parental Payments	400,000
Westlaw	35,000
Foster Care	480,000
Juvenile Treatment	584,500
Maricopa County Probation – Vehicles	750,000
GPS Charge-backs	98,000
<b>Total</b>	<b>\$3,912,500</b>

RS/JM:ck



# Supreme Court

STATE OF ARIZONA  
ADMINISTRATIVE OFFICE OF THE COURTS

Ruth V. McGregor  
Chief Justice

David K. Byers  
Administrative Director  
of the Courts

July 24, 2008

Clark Partridge, State Comptroller  
General Accounting Office  
100 North 15<sup>th</sup> Avenue, Suite 302  
Phoenix, Arizona 85007

Richard Stavneak, Director  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, Arizona 85007

James Apperson, Director  
Office of Strategic Planning and Budgeting  
1700 West Washington, Suite 500  
Phoenix, Arizona 85007



Re: Reimbursement of Appropriated Funds

I am sending this letter pursuant to A.R.S. 35-142.01 and GAO Technical Bulletin No. 00-8 to notify you of recurring reimbursements received by the Supreme Court each fiscal year. All reimbursements are necessary for operation of the budget units and were not specifically considered and rejected by the legislature. In addition to various de minimus reimbursements, such as employee-reimbursed personal telephone calls, the Supreme Court receives the following:

1. Arizona Court Automation Project (ACAP) Charge-backs

A) *A description of the transaction or event.*

ACAP Courts are billed semi-annually to participate in (but not fully reimburse) the costs of providing statewide network services.

B) *The frequency with which the transaction occurs.*

Billed in January and July, received throughout the year.



C) *The total dollar amount of the reimbursement.*

\$1,665,000 (FY 09 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

Judicial Collection Enhancement Fund

E) *The source of the reimbursement.*

Aztec/ACAP Courts

F) *The reason for the reimbursement.*

These courts participate in the cost of providing/using the statewide AJIN Network. Costs include software, hardware, network connections, development and support services, internet, intranet, and email.

## 2. Parental Payments

A) *A description of the transaction or event.*

Parents make payments for juvenile treatment services after being assessed by the probation departments/courts related to their ability to bear the cost for some or all of the treatment services.

B) *The frequency with which the transaction occurs.*

Parents generally make payments on a weekly or monthly basis and the funds are transmitted by the courts to the Supreme Court on a monthly basis.

C) *The total dollar amount of the reimbursement.*

\$400,000 (FY 09 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

Juvenile Probation Services Fund

E) *The source of the reimbursement.*

Parents of juveniles under treatment.

F) *The reason for the reimbursement.*

See "A" above.

3. Westlaw Reimbursements

A) *A description of the transaction or event.*

The Supreme Court has a contract with West Publishing for Westlaw usage by Superior Court judges. Superior Courts are billed for a portion of this cost.

B) *The frequency with which the transaction occurs.*

The Superior Court in Maricopa and Pima counties are billed each June and December. The Superior Court in other counties are billed only in December.

C) *The total dollar amount of the reimbursement.*

\$35,000 (FY 09 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

Case Processing Assistance Fund

E) *The source of the reimbursement.*

Superior Courts

F) *The reason for the reimbursement.*

See "A" above.

4. Federal Title IV-E Participation Funds – Foster Care

A) *A description of the transaction or event.*

Through an agreement with DES, the Supreme Court seeks Federal Title IV-E funding for costs associated with administering and conducting foster care administrative reviews.

B) *The frequency with which the transaction occurs.*

Monthly

C) *The total dollar amount of the reimbursement.*

\$480,000 (FY 09 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

Grants and Special Revenues

E) *The source of the reimbursement.*

Federal Title IV-E Funds

F) *The reason for the reimbursement.*

See "A" above.

5. Federal Title IV-E Participation Funds – Juvenile Treatment

A) *A description of the transaction or event.*

Through an agreement with DES, the Supreme Court seeks Federal Title IV-E funding for qualifying juveniles adjudicated as delinquent. Pursuant to federal regulation, Title IV-E reimbursement may be sought for certain maintenance and administrative costs related to the out-of-home placement of these juveniles.

B) *The frequency with which the transaction occurs.*

Reimbursement for maintenance costs is received monthly.  
Reimbursement for administrative costs is received quarterly.

C) *The total dollar amount of the reimbursement.*

\$484,500 (FY 09 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

Juvenile Probation Services Fund

E) *The source of the reimbursement.*

Federal Title IV-E Funds

F) *The reason for the reimbursement.*

See "A" above.

6. Vehicle Expenses for Maricopa County Probation Department

A) *A description of the transaction or event.*

Pursuant to A.R.S. 12-269(A) (HB 2819) the Administrative Office of the Courts shall not disburse any direct state aid for probation services monies, including motor pool costs, to a county with a population of two million or more persons (Maricopa County). DOA bills the AOC for all of the probation fleet, including vehicles assigned to Maricopa County, the AOC then bills Maricopa County for their share of the motor pool charges.

B) *The frequency with which the transaction occurs.*

Monthly

C) *The total dollar amount of the reimbursement.*

\$750,000 (FY 09 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

General Fund

E) *The source of the reimbursement.*

Maricopa County

F) *The reason for the reimbursement.*

See "A" above.

7. GPS Charge-backs

A) *A description of the transaction or event.*

Pursuant to A.R.S. 12-267(G) (HB 2210) the Administrative Office of the Courts shall periodically charge each local probation fees account an amount established annually by the Supreme Court to cover a proportional share of the cost of monitoring devices required pursuant to A.R.S. 13-902(G).

B) *The frequency with which the transaction occurs.*

Quarterly

C) *The total dollar amount of the reimbursement.*

\$98,000 (FY 09 estimate)

D) *The fund or funds to which the reimbursement will be deposited.*

General Fund

E) *The source of the reimbursement.*

Superior Court Probation Departments

F) *The reason for the reimbursement.*

See "A" above.

Please contact Kevin Kluge at 452-3395 if you have any questions or need additional information.

Very truly yours,

  
Dave Byers  
Administrative Director

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

DATE: August 5, 2008

TO: Senator Bob Burns, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Assistant Fiscal Analyst

SUBJECT: Arizona State Retirement System – Review of FY 2009 Information Technology  
Expenditure Plan

**Request**

The Arizona State Retirement System (ASRS) requests Committee review of their FY 2009 Information Technology (IT) Expenditure Plan. ASRS was appropriated \$2,747,100 in FY 2009 for expenses associated with operation and upgrades to the information technology system. A General Appropriation Act footnote requires ASRS to seek Committee review of each year's expenditure plan prior to any expenditure.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of the FY 2009 IT expenditure plan. These are on-going, IT operating expenditures and are comparable to the FY 2008 spending level. The Committee has favorably reviewed this plan in prior years.

**Analysis**

The ASRS Plan is intended to address IT inefficiencies and to position the agency for increases in the longevity of retirees and the actual number of retirees as the "baby boomer" generation reaches retirement.

ASRS has submitted an expenditure plan for the \$2,747,100 allocated in FY 2009 for the IT Plan, which includes 20 FTE Positions and document imaging and network upgrade spending. *Table 1* details the components of the \$2,747,100 allocated in FY 2009.

(Continued)



<b>Table 1</b>				
<b>FY 2009 Appropriations Expenditure Plan</b>				
	<b>IT Operating <u>Costs</u></b>	<b>Document <u>Imaging</u></b>	<b>Network/ Software <u>Upgrade</u></b>	<b><u>Total</u></b>
<i>FTE Positions</i>	18	2	--	20
Personal Services	\$1,228,700	\$70,200	--	\$1,298,900
Employee Related Expenditures	362,100	24,800	--	386,900
Other Operating Expenditures	775,800	3,600	\$ 31,900	811,300
Equipment	<u>250,000</u>	<u>--</u>	<u>--</u>	<u>250,000</u>
<b>Total</b>	<b>\$2,616,000</b>	<b>\$98,600</b>	<b>\$31,900</b>	<b>\$2,747,100</b>

The General Appropriation Act also requires ASRS to report on its use of prior year balances. Laws 2008, Chapter 291 extended the lapsing period of \$1,627,100 in IT Plan funds that had been appropriated in previous years through June 30, 2009. In FY 2009, ASRS intends to use this unspent funding for technology upgrades. ASRS estimates spending \$1,195,500 of this \$1,627,100 amount in FY 2009. Any funds that remain unspent at the end of FY 2009 will lapse back into the ASRS Administration Account.

ASRS also received a \$1,154,800 allocation in FY 2009 for IT plan upgrades in the FY 2008 General Appropriation Act.

RS/MZ:ss



# ARIZONA STATE RETIREMENT SYSTEM

COPY

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000

7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100

TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1-800-621-3778

Paul Matson  
Director

July 22, 2008

The Honorable Senator Robert L. Burns, Chairman  
Joint Legislative Budget Committee  
1716 West Adams  
Phoenix, AZ 85007



Dear Chairman Burns:

RE: JLBC Review of the ASRS IT Expenditure Plan for SFY09

I am requesting that the Joint Legislative Budget Committee (JLBC), at its next meeting, review the proposed expenditure plan of SFY09 appropriations for the Arizona State Retirement System (ASRS) Information Technology (IT) Plan. Pursuant to the footnote to the agency's appropriation, the ASRS is required to submit an expenditure plan to the JLBC staff for review before the expenditure of the appropriation.

Enclosed is the ASRS IT Expenditure Plan for SFY09. The plan outlines expenditures in the areas of IT/User FTEs and Employee-Related Expenditures, Other Operating Expenditures and Equipment.

Also enclosed is an expenditure plan of prior years' appropriations to be spent in the current year as well as prior year balances. The ASRS requests permission for expenditures to continue through SFY09.

If you have any questions or need additional information, please contact Martha Rozen at (602) 240-5355. Thank you in advance for the Committee's consideration.

Sincerely,

Paul Matson  
Director

PM/MNR/em


Enclosures

cc: Representative Russell Pearce, Chairman, House Appropriations  
Martha Rozen, ASRS, Administrative Services Division  
Marge Zylla, JLBC Analyst  
Matt Gottheiner, OSPB Analyst

Arizona State Retirement System  
 Administrative Services Division  
 IT Expenditure Plan FY 2009  
 Prepared by: Martha Rozen  
 Appropriations  
 7/22/2008

## Special Line Item (SLI) Request - FY 2009

	IT Plan Operating Costs	Records Mgt. Document Imaging	PIJ - Network and Software Upgrade	TOTAL
FTEs	18	2		20
Personal Services	\$1,228,700	\$70,200		\$1,298,900
Employee Related Expenses	\$362,100	\$24,800		\$386,900
Professional and Outside Services				\$0
Travel				\$0
Other Operating Expenses	\$775,800	\$3,600	\$31,900	\$811,300
Equipment	\$250,000			\$250,000
Total	\$2,616,600	\$98,600	\$31,900	\$2,747,100

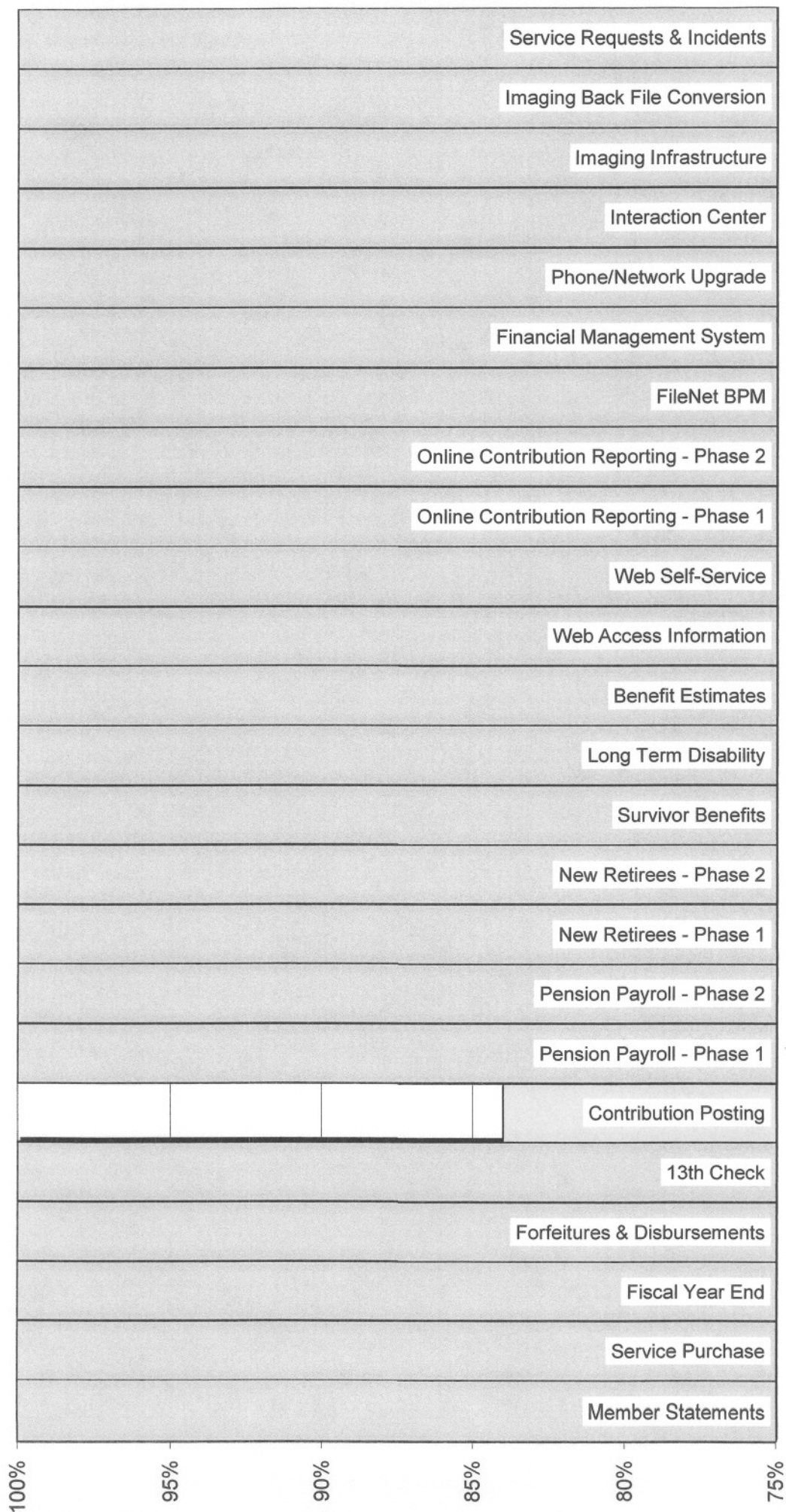

  
 \$2,747,100

# ASRS IT PROJECT PLAN STATUS REPORT

## AS OF 6/30/2008

Service	Percent Complete (6/30/08)	Start Date	End Date (6/30/08)	Status (6/30/08)	Comments
Member Statements	100%	01/27/05	1/20/06	Complete	
Service Purchase	100%		5/1/04	Complete	
Fiscal Year End	100%		10/1/02	Complete	
Forfeitures & Disbursements	100%	11/04/04	12/31/06	Complete	
13th Check	100%		12/1/02	Complete	
Contribution Posting	84%	07/31/06	6/13/08	In Progress	Completion planned for 9/26/08
Pension Payroll - Phase 1	100%		7/1/02	Complete	
Pension Payroll - Phase 2	100%	12/18/06	7/2/08	Complete	
New Retirees - Phase 1	100%		5/1/03	Complete	
New Retirees - Phase 2	100%	01/05/06	10/22/07	Complete	
Survivor Benefits	100%	01/02/06	11/16/07	Complete	
Long Term Disability	100%	01/06/05	2/28/06	Complete	
Benefit Estimates	100%	11/01/05	12/31/06	Complete	
Web Access Information	100%	08/01/05	12/30/05	Complete	
Web Self-Service	100%	12/17/04	8/29/07	Complete	
Online Contribution Reporting - Phase 1	100%		2/1/05	Complete	
Online Contribution Reporting - Phase 2	100%	01/10/06	2/8/08	Complete	
FileNet BPM	100%	04/04/05	1/29/07	Complete	
Financial Management System	100%	03/20/03	7/1/06	Complete	
Phone/Network Upgrade	100%	10/01/02	1/1/03	Complete	
Interaction Center	100%	10/01/02	1/1/03	Complete	
Imaging Infrastructure	100%	12/01/04	7/1/05	Complete	
Imaging Back File Conversion	100%	05/02/05	1/5/07	Complete	
Service Requests & Incidents	100%	04/20/05	6/30/08	Complete	
Hardware & Maint. Agreements		07/01/05	6/30/08	Complete	
<b>Overall % Complete</b>	<b>99%</b>				

# Status of Information Technology Projects as of 6/30/2008



**Enterprise IT Plan Progress Assessment**  
**Scorecard Report**  
Presented by Provaliant (Independent Advisory Consultant)  
as of 04/01/08

Health <sup>1</sup>	Key Performance Indicators (KPIs)	Risks
Green	<b>Overall IT Plan</b>	
Green	<b>Enterprise Readiness</b>	
Green	E1: IT Plan is aligned with Strategic Plan and Stakeholder Expectations	
Green	E2: Organizational change plans are ready	
Green	E3: "To be" processes and role descriptions are ready, including audits and controls	
Green	E4: Desk procedures for "to be" processes are ready	
Green	E5: Education and training for all staff, employers and participants supports their new roles is ready	
Green	E6: Stakeholders have current enterprise status information for decision making	
Green	<b>Schedule</b>	
Yellow	S1: Progress in meeting the schedule communicated to the ITAC	2
Green	S2: Scheduled releases do not interfere with key operational cycles	
Green	<b>Budget &amp; Resources</b>	
Green	B1: Total cost is projected not to exceed \$46.5 million, including FMS	
Yellow	B2: Staffing levels are adequate to meet scope, schedule & quality expectations	1
Green	B3: Staff skills are adequate to meet scope, schedule & quality expectations	
Green	B4: Business area subject matter experts are available to the IT Plan without impeding operations	
Green	B5: Facilities, infrastructure and supplies are adequate for staff	
Green	B6: Methodologies and tools are appropriate for the scope and complexity of the IT Plan	
Green	<b>Outcomes (Scope &amp; Quality)</b>	
Green	O1: Requirements satisfy business needs	
Green	O2: Requirements are cost justified by ROI	
Green	O3: Required data is complete, clean and available	
Green	O4: Applications perform to functional and technical requirements	
Green	O5: Applications defect rates are within tolerance	
Green	O6: Service Requests volumes are within tolerance	
Green	O7: Service Level Agreements are being met by vendors ( Avaya, FNIS, FileNet, MUNIS, Oracle, etc)	
Green	O8: Planned ROI is being realized	
Green	O9: Legacy applications are being decommissioned as planned	

<sup>1</sup>Health (Green = Satisfactory, Yellow = At Risk, Red = Unsatisfactory)



Project: Enterprise IT Plan

Open	0
In Process	2
Executed	0
Closed	0
<b>Total</b>	<b>2</b>

RISK LOG												
Identification					Analysis & Planning							Communication
#	Status	Log Date	Project Affected	Risk Description	Impact	Probability	Risk Scoring	Mgmt Approach	Owner	Indicators / Triggers	Mitigation and/or Contingency Plan	Notes
1	In Process	08/16/05	IT Plan	<p><b>Condition:</b> Contract staffing must be maintained through the completion of the IT Plan. Contractors are likely to be looking for new opportunities as the IT Plan nears completion.</p> <p><b>Risk:</b> Resource levels may not be sufficient to complete the IT Plan by June 30, 2008.</p> <p><b>Potential Consequences:</b> Scope may need to be reduced or deferred. If the resource shortage becomes critical, the completion date might have to be delayed.</p>	High	90%	270	Mitigate	Kent Smith	Actual resource levels fall below planned resource levels	<p>Mitigation Plan -</p> <ol style="list-style-type: none"> <li>1. Fully resource load project plans to establish resource levels that will meet the project schedules with the contingency necessary to cover expected attrition through June 30, 2008.</li> <li>2. Continue recruiting permanent staff and contractors.</li> <li>3. Communicate to selected contractors that they will be extended through the end of 2008.</li> </ol> <p>Contingency Plan -</p> <ol style="list-style-type: none"> <li>1. Defer scope</li> <li>2. Delay interim delivery dates</li> </ol>	01/01/08 - Enterprise Project Plan is fully resource loaded, including contingency. Recruiting of permanent and contract resources continues.
2	In Process	03/28/08	Contributions Posting	<p><b>Condition:</b> A more robust Service Purchase Contribution Posting function would provide a better ROI but would cost about \$195,000 and would take 2 to 3 months longer to implement. The cost would still be well within the IT Plan budget. The ASRS CCB and EMT will decide whether to implement the alternative with the better ROI or focus on completing the IT Plan by June 30, 2008.</p> <p><b>Risk:</b> IT Plan completion may be delayed from June 30, 2008 to August or September of 2008.</p> <p><b>Potential Consequences:</b> Since the IT Plan completion date has been communicated to the ASRS Board, GITA and the JLBC, a delay could cause concern over the success of the IT Plan.</p>	Medium	90%	180	Mitigate	Anthony Guarino	CCB and EMT approve an approach that will extend the IT Plan completion past June 30, 2008	<p>Mitigation Plan - Communicate to the ASRS Board, GITA and the JLBC that the CCB decision is based on the best use of the IT Plan funds to provide the agency with the best ROI. The ASRS prioritizes budget and ROI concerns above schedule concerns.</p>	

	Appropriated Amount	Expended Through 6/30/2002	Expended Through 12/31/2002	Expended Through 6/30/2003	Expended Through 12/31/2003	Expended Through 6/30/2004	Expended Through 12/31/2004	Expended Through 6/30/2005	Expended Through 12/31/2005	Expended Through 6/30/2006	Expended Through 12/31/2006	Expended Through 6/30/2007	Expended Through 12/31/2007	Expended Through 6/30/2008	Projected Expenditures Through 6/30/2009	Balance Remaining
IT PLAN FY 02																
Totals	\$9,007,600	\$2,818,600	\$289,000	\$1,123,200	\$1,469,800	\$1,871,900	\$397,100	\$1,037,900								\$100
IT PLAN FY 03																
Totals	\$9,053,400		\$2,777,700	\$2,772,900	\$440,800	\$363,000	(1) (\$41,500)	\$424,200	\$121,200	\$2,195,100						\$0
Note:(1) Costs were reclassified.																
IT PLAN FY 04																
Totals	\$9,039,600				\$633,100	\$1,958,300	\$1,931,000	\$1,915,900	\$625,200	\$1,335,400	\$551,300	\$89,400				\$0
IT PLAN FY 05																
Totals	\$9,051,900						\$637,900	\$867,100	\$100	(2) (\$3,300)	\$2,131,600	\$3,114,500	\$1,427,200	\$876,800		\$0
Note:(2) Refund due to overpayment and returned equipment.																
IT PLAN FY 06																
Totals	\$6,401,600								\$2,515,400	\$1,738,600	\$57,000	\$59,700	\$11,900	(3) \$392,000	\$1,195,500	\$431,500
Note:(3) Totals adjusted to include FY 08, 13th Month Expenditures																
IT PLAN FY 07																
Totals	\$3,010,100										\$1,030,200	\$1,979,800	\$100			\$0
IT PLAN FY 08																
Totals	\$2,818,500												\$839,000	(4) \$1,979,500		\$0
Note:(4) Totals adjusted to include FY 08, 13th Month Expenditures																
Total Appropriations	\$48,382,700															
BALANCE REMAINING ALL FISCAL YEARS as of 6/30/08																\$1,627,100
TOTAL EXPENDED PER FISCAL YEAR																
FY02	\$2,818,600															
FY03				\$6,962,800												
FY04						\$6,736,900										
FY05								\$7,169,600								
FY06										\$8,527,700						
FY07												\$9,013,500				
FY08													\$2,278,200	\$3,248,300		
TOTAL EXPENDED ALL FISCAL YEARS as of 6/30/08																\$46,755,600

STATE OF ARIZONA

**Joint Legislative Budget Committee**

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2008  
PAULA ABOUD  
AMANDA AGUIRRE  
JORGE LUIS GARCIA  
JACK W. HARPER  
THAYER VERSCHOOR  
JIM WARING

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

RUSSELL K. PEARCE  
CHAIRMAN 2007  
KIRK ADAMS  
ANDY BIGGS  
TOM BOONE  
OLIVIA CAJERO BEDFORD  
LINDA J. LOPEZ  
PETE RIOS  
STEVE YARBROUGH

DATE: August 08, 2008

TO: Senator Bob Burns, Chairman  
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Juan Beltran, Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Review of Third Party Progress Report

**Request**

Pursuant to a footnote in the FY 2008 General Appropriation Act, the Arizona Department of Transportation (ADOT) requests review of its semiannual progress report for the second half of FY 2008 regarding increasing third party transactions. Motor Vehicle Division (MVD) third parties allow the public to conduct certain MVD transactions through private sector third party entities instead of using MVD customer service offices.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of the second half report, given the progress ADOT is making in increasing its use of third parties.

**Analysis**

**Third Party Title Transactions Quality Assurance**

The section's backlog of title transactions decreased from 31 business days in FY 2006 to 11 business days in FY 2007 to 10 business days in the 4<sup>th</sup> quarter of FY 2008.

ADOT is processing applications for 59 entities who are interested in becoming third parties. There are currently 122 third parties, including 21 new third parties added in FY 2008. Of those 21 new third parties, 6 of them were added in the second half of FY 2008.

**Third Party Vehicle Identification Number Inspections**

ADOT is currently processing applications for 40 entities who are interested in becoming third parties. There are currently 475 existing third parties, including 31 new third parties added in FY 2008. Of those 31 new third party offices, 6 of them were added in the second half of FY 2008. ADOT's FY 2009 appropriation includes an increase of 2 FTE positions for new title and vehicle identification number inspection third parties.

(Continued)

#### Third Party Driver Schools

ADOT has eliminated the waiting list for new commercial and non-commercial driver schools and driver license examiners. There are currently 65 professional driving schools, including 1 new driving school added in the second half of FY 2008.

MVD licenses traffic survival schools and certifies instructors. Their approved staffing has not changed from FY 2005. Drivers with certain traffic violations are required by MVD or a court to attend and successfully complete a traffic survival school in order to avoid driver's license suspension. There are currently 77 traffic survival school third parties which remain unchanged from the 2nd quarter, and 80 entities remain on the waiting list. ADOT's FY 2009 appropriation includes an increase of 2 FTE positions to eliminate the third party waiting list for traffic survival schools.

JB:sls



# Arizona Department of Transportation

## Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano  
Governor

Victor M. Mendez  
Director

Richard Travis  
Deputy Director

July 24, 2008



The Honorable Robert Burns  
Chairman  
Joint Legislative Budget Committee  
1716 W. Adams Street  
Phoenix, Arizona 85007

Dear Senator Burns:

Attached, please find the Department's FY 2008 semi-annual progress report on the MVD Third Party Program.

The reporting period (January to June 2008) reflects the following achievements:

- Title & Registration (T&R) Third Parties opened (6)
- T&R Inspection Third Parties opened (31)
- Professional Driving Schools opened (1)

Interest in the Third Party Program remains strong with 59 prospective Third Parties in the application process. As always, we appreciate the opportunity to report events connected with the ongoing success of the Third Party Program.

If you have any questions or comments regarding the information contained in the report, please contact Melissa Wynn at 602-712-8981.

Sincerely,

Victor M. Mendez

### Attachments

cc: Representative Russell Pearce, Vice-Chairman, JLBC  
Richard Stavneak, Director, JLBC  
Juan Beltran, Analyst, JLBC  
James Apperson, Director, OSPB  
Marcel Benberou, Assistant Director, OSPB

# Arizona Department of Transportation

## FY 2008 Semi-Annual Third Party Report



### Title and Registration Third Parties

*Title & Registration Third Parties have a physical "bricks and mortar" structure that offers the public most, if not all, services MVD field offices provide. T&R Third Parties are connected directly to the Department's motor vehicle databases.*

	FY 07	FY 2008				
Reporting Requirements:	Q4	Q1	Q2	Q3	Q4	Comments
Number of T &R Third Parties	101	114	116	119	122	21 Third Parties added in FY08
Number of T &R Third Parties in process			65	64	59	
Number of transactions	390,471	425,621	362,807	405,339	401,897	
MVD QA Staffing: Filled positions	37	39	37	37	36	Budget = 45
Transactions reviewed	52,813	44,898	36,851	37,716	23,271	Improved results reflect the positive impact of the new sampling method. Fewer transactions require review, freeing up staff time for other activities such as e-mail inquiries.
Average reviewed per employee per month	1,354	1,361	1,364	1,048	647	
Number of e-mails answered	5,204	5,656	7,213	9,552	10,522	
Backlog: Number of business days	11	11	14	10	10	
Backlog: Number of transactions	4,091	5,512	9,835	5,847	6,099	

### Title & Registration Inspection Third Parties

*Title & Registration Inspection Third Parties perform Verification of Vehicle inspections, which require a visual inspection of the vehicle and the manual completion of the inspection form. T&R Inspection Third Parties do not process online transactions.*

	FY 07	FY 2008				
Reporting Requirements:	Q4	Q1	Q2	Q3	Q4	Comments
Number of T&R Inspection Third Parties	444	461	469	473	475	31 Third Parties added in FY 08
Inspection Third Parties in process			60	63	40	
Number of inspections	39,328	38,022	38,955	41,691	43,183	
MVD QA Staffing: Filled positions	4	4	4	4	4	Budget = 4
Vehicle inspection records reviewed	1,318	1,395	1,405	1,432	1,459	



## FY 2008 Semi-Annual Third Party Report

	FY 07	FY 2008				
Reporting Requirements:	Q4	Q1	Q2	Q3	Q4	Comments
<b>Third Party Driver License Examinations</b>						
Number of Examination Contractors	127	117	121	121	122	
Examinations processed (Commercial)	2,751	2,912	3,716	2,508	2,650	
Examinations processed (Non-commercial) <sup>11</sup>	337	131	N/A	N/A	N/A	See footnote
MVD QA Staffing: Filled positions	2	3	3	3	3	Budget = 3
Score sheets reviewed (Commercial)	2,751	2,912	3,716	2,508	2,650	
Average reviewed per employee per month	458	324	413	279	294	
Score sheets reviewed (Non-commercial)	337	131	N/A	N/A	N/A	See footnote
Average reviewed per employee per month	56	44	N/A	N/A	N/A	See footnote
Completed audits (Commercial)	30	23	31	23	21	
Completed audits (Non-Commercial)			N/A	N/A	N/A	See footnote
<b>Professional Driving Schools</b>						
Number of schools	59	62	64	64	65	6 Driving Schools added in FY 08
Certificates issued	8,459	9,011	10,347	7,837	10,407	
MVD QA Staffing: Filled positions	3	3	3	3	3	Budget = 3
Certificates reviewed	8,459	9,011	10,347	7,837	10,407	
Average reviewed per employee per month	939	1,001	1,150	871	1,156	
Completed audits	2	2	8	4	1	
School moratorium wait list	12	14	14	15	15	List reflects motorcycle schools only
<b>Traffic Survival Schools</b>						
Number of Schools	77	77	77	77	77	
Certificates Issued	11,311	10,719	9,367	10,630	11,649	
MVD QA Staffing: Filled positions	3	3	3	3	2	Budget = 3
Certificates reviewed	11,311	10,719	9,367	10,630	11,649	
Completed audits	6	4	8	4	10	
School moratorium wait list	58	61	68	77	80	Insufficient staff resources to lift moratorium

<sup>11</sup> MVD recently converted to an electronic testing process. Contractors must do the same in order to offer DL testing. To date, no contractors have chosen to implement the electronic testing.